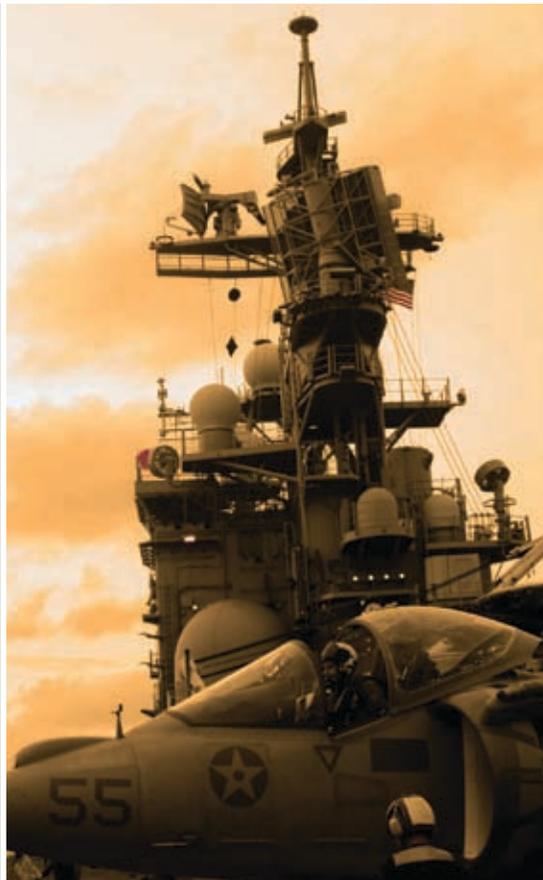


Invigorating Defense Governance

A Beyond Goldwater-Nichols Phase 4 Report

Author
Kathleen H. Hicks

March 2008



BEYOND
GOLDWATER-NICHOLS



CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

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1800 K Street, NW, Washington, DC 20006

Tel: (202) 775-3119

Fax: (202) 775-3199

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In the final phase of this study, the BG-N 4 study team twice turned to prominent groups of former senior defense officials to review its recommendations. Senior Review Group participants are listed in Appendix B. The author is grateful for the time these busy leaders took to offer their wealth of knowledge about and experience in governing the Defense Department. Of particular note, the author wishes to thank Dr. John Hamre for his oversight of these discussions and his personal investment of time and insights throughout the course of the project.

Participants in the *Invigorating Defense Governance* working group or senior review groups do not necessarily endorse the study’s findings and recommendations, which are the author’s alone.

Finally, the author owes a debt of gratitude to the many individuals interviewed for this report. From combatant commanders and senior officials in the Office of the Secretary of Defense and the Joint Staff to the uniformed and civilian workers toiling in the sometimes infertile vineyards of these institutions and on Capitol Hill, they spoke remarkably candidly about the state of defense governance today and a universal desire to get reform right. This report is dedicated to them.



EXECUTIVE SUMMARY

This Phase 4 report is the final installment in the Beyond Goldwater-Nichols (BG-N) project assessment of defense reform. It takes a strategic view of defense governance, focusing on the future efforts of the next secretary of defense and the secretary's senior-most aides to fulfill priority objectives. With so many prior reform efforts upon which to build, the BG-N study team sought to identify the key problems inhibiting effective performance in the Department of Defense (DOD) and the barriers to reform that prevented earlier proposals from taking root. It concluded that many proposed changes have faltered because they failed to account for and find ways to alter the likely behavior of individuals and organizations. As Goldwater-Nichols taught, the ability to affect incentive structures is the most indispensable ingredient of any successful reform. Attempts to simply rework organizational wiring diagrams or create new and seemingly more nimble processes will fail unless they are buttressed by changes in the underlying incentives that motivate individual and organizational actions.

Major Challenges to Defense Governance

Beginning with the same problem-centric approach that characterized prior BG-N studies, this Phase 4 effort focuses on overcoming the key leadership and governance obstacles to fulfilling an administration's defense agenda:

- A complex web of interactions comprises DOD's governance and management processes, which are difficult for a secretary to understand and control. Within this system, the senior leadership's decision points are many, but they are often disconnected.
- Key stakeholders are underrepresented in governance processes and forums. This is especially problematic for the department's self-proclaimed internal customer, the joint warfighter, represented today by the Joint Staff and the combatant commands. It is also true for congressional and civilian U.S. government and international partners, all of whom are critical to achieving DOD's goals.
- There is little accountability built into the DOD governance system, which establishes neither clear incentives for positive performance nor discipline for poor performance, and the system provides no systematic tracking of either.
- Feedback across the various governance and management processes is limited at every level.
- DOD's outdated governance processes and analytic tools are linear, plodding, and iterative, too often focused on making change at the margin rather than enabling substantial trade-offs.

A Defense Governance Framework

A secretary of defense cannot hope to solve all of the governance problems afflicting the vast defense enterprise, nor should that be his focus. Rather, he and his team need to create a simple,

compelling framework for advancing the administration's highest priorities.¹

- This governance approach should facilitate senior leadership's readiness to decide, which includes its ability to make informed decisions on the right issues.
- The process must ensure that, once decisions are made, DOD components execute them.
- Effective governance requires a systematic means to assess both decisions and their execution.

Decision, execution, and assessment often overlap and occur at multiple levels. Most issues can and should be addressed by empowered and accountable principals throughout the enterprise. For the secretary's highest priorities, however, he will want to more directly oversee the drive to demonstrate results. A secretary of defense can certainly create an informal decision-execution-assessment framework through sheer leadership prowess, holding principals and organizations accountable for achieving his goals and disciplining failure through shifting budget share and other tools already at his disposal. Yet leadership unsupported by grounded governance processes and weak governance institutions is unlikely to succeed for long. Good governance will only become part of the department's institutional culture when the various expertise, processes, and tools central to its execution are staffed and resourced appropriately. Accordingly, the following sections briefly delineate several proposed areas for key supporting reforms.

Improving Strategic Direction

DOD's current strategic direction processes fail to align desired ends with the ways and means needed to achieve them. This seems to be caused in part by an overemphasis on articulating ends at the expense of adequately defining the requisite ways and means of achieving them. The BG-N study team recommends that the secretary of defense establish a routine governance tempo, or rhythm, that makes use of some unchangeable elements of the American political landscape, namely quadrennial presidential elections and annual federal budgeting. Leveraging this reality requires thinking of strategic direction in quadrennial, annual, and supporting quarterly increments.

- **Quadrennial.** The Quadrennial Defense Review (QDR) is a statutory requirement that Congress will not eliminate in the foreseeable future. Congress should nevertheless better leverage the QDR to create a broad and competitive debate about defense priorities. The secretary of defense should use the QDR to create and articulate his four-year defense agenda. In so doing, he must ensure that the QDR creates more value for him—focusing on his key priorities—than it costs in invested staff and governance time. To be most useful, the QDR should be nested within a broader Quadrennial National Security Review conducted under the president's guidance. The next QDR should also be prefaced by a set of competitive, independent analyses of the strategic environment and its implications for U.S. defense policy.
- **Annual.** A renaissance in joint capability portfolio analysis and an emphasis on detailed, execution-oriented guidance form the heart of the BG-N study team's recommendations for improving annual strategic direction. Fundamentally, the current approach to routine strategy development must be reversed. Whereas today DOD first develops its broad statements of strategic direction, such as the *National Defense Strategy* and *National Military Strategy*, and subsequently derives its detailed guidance from these, it should instead focus its energy on

1. This report uses the masculine pronoun for the major DOD institutional actors purely for convenience, not as an expression of support for current practice. The BG-N study team believes that opportunities for women in DOD should be expanded and expects that more women will be appointed or promoted to the most senior levels as part of that process.

developing a full and frank description of strategy-connecting ends, ways, and means—with its eye toward execution. The broad strategic statements can then be published as the public distillation of these more thoughtful strategic road maps.

- **Quarterly.** An unused strategy is an irrelevant strategy. Providing strategic guidance is the secretary of defense’s core governance function. The secretary of defense should focus each quarter on the statement or confirmation of his highest priorities and on focusing his senior advisers on the execution and continual assessment of those priorities.

Furthering Capabilities-Based Approaches

Capabilities-based approaches offer tremendous promise for logically linking desired ends to ways and means. This linkage is critical not only for the secretary’s ability to develop the defense program but also for his ability to persuade the White House and Congress that it is indeed the right one. DOD has made strides in improving its capabilities-based analytic capabilities, but it suffers from confusion over the meaning and implications of “capabilities-based planning.” It also fails to invest in the tools and expertise necessary to actualize capabilities-based concepts.

The secretary of defense should ensure the promulgation of a uniform lexicon and framework for capabilities-based approaches, including the much discussed but underdefined “capabilities-based planning.” By establishing a uniform understanding of capabilities-based approaches and improving joint analytic capabilities, the secretary of defense will strengthen his ability to withstand challenges to the defense agenda. He should also ensure the department continues on its current path of developing joint capability portfolios that facilitate senior leaders’ ability to examine trade-offs within and among missions and functions. Transparent force and financial databases are a critical precursor to effective trade-off analysis.

Creating Accountability

A secretary’s ability to govern through a decision, execution, and assessment system is only as powerful as his willingness to force individual and organizational accountability within that system. Without secretary-driven performance incentives, other, sometimes countervailing, incentives will prevail. The secretary must link attainment of his short list of actionable priorities to performance measures. His quarterly governance meetings should be used to assess progress on these priority goals, with consequences associated for success and failure. Performance-based compensation should be further institutionalized for defense employees, and the department’s federated performance management approach should be improved.

Integrating Strategy, Execution, and Assessment

Structural changes have many drawbacks. Nevertheless, they are sometimes necessary to align incentives effectively. The linkages among elements of strategy, the execution monitoring of the secretary of defense’s priorities, and the routine assessment of strategic direction are currently spread across multiple organizations that too often find themselves at odds. The BG-N study team recommends that the secretary of defense create a director for strategy, execution, and assessment (D(SEA)) to replace the director for program analysis and evaluation (D(PA&E)), situating the narrower PA&E mandate and skill set within a broader enterprise framework. The D(SEA)’s goals would be to integrate and advocate analytic and decision support for the secretary of defense. His

principal functions would include administering the QDR, drafting the secretary's overarching guidance and more detailed mid- to long-term guidance, providing agenda-setting and analytical support capabilities to the secretary in support of his quarterly governance process, overseeing the monitoring of key performance measures, and developing independent civilian expertise in capability portfolio assessment.

Advocating for the Future Joint Force

DOD's core business is creating an effective joint force. The joint force is represented in the governance process by a variety of individuals, including principals within the Office of the Secretary of Defense, the chairman and vice chairman of the Joint Chiefs of Staff, and sometimes through the direct participation of a combatant commander. Its needs are rightly assessed by force providers, who provide unique expertise across the range of doctrine, organization, training, matériel, logistics, personnel, and facilities (DOTMLPF) solutions. Yet the equilibrium between supply viewpoints and demand viewpoints still tilts too far toward the former, with force providers dominating the key governance processes. Combatant commanders need better force development expertise, access, and capacity. Further, the department's leaders need an individual or set of individuals to focus primarily on advocating for the future force, which today has no dedicated proponent. The BG-N study team recommends that the president direct the commander, U.S. Joint Forces Command to be the advocate for the future joint force, with attendant changes in his Unified Command Plan areas of responsibility, that the Congress add him as a statutory member of the needs-identifying Joint Requirements Oversight Council and that the secretary of defense insist upon his active participation in other key governance forums.

Improving Force Development

Today, the resource-intensive yet slow-performing Joint Capabilities Integration and Development System (JCIDS) is DOD's most maligned process. Although some analysts have recommended eliminating JCIDS, the BG-N study team concluded that, despite its many faults, its fundamental rationale is sound—to articulate the needs of the joint force in a manner that is clearly linked to future joint concepts. Further, at present, any alternative process would suffer from the same misalignment of incentives that currently favor the force provider community's perspectives and seriously threaten the viability of a joint process. To change this incentive structure, the BG-N study team proposes:

- Streamlining the joint operational concept (JOpsC) development process to focus on key emerging functional areas tied to the secretary's priorities;
- Strengthening the value of JCIDS and JOpsC by infusing the former with dedicated oversight from the commander, U.S. Joint Forces Command and shifting the latter completely under his direction; and
- Providing more power to a JROC better balanced across supply and demand perspectives so as to facilitate program changes based on its decisions.

The BG-N study team also recommends continuing with the Concept Decision Initiative approach to improve linkages between the OSD-led acquisition process and the Joint Staff-led JCIDS and strengthening the role of DOD's technology experts, including the director, defense research and engineering, in building the future force. Finally, the BG-N study team recommends creating

The task of strategic leadership is . . . not to follow a given formula or set of steps. Instead it is to gather appropriate information, evaluate it thoughtfully, and make choices that provide the best chance for the company to succeed, all the while recognizing the fundamental nature of business uncertainty.

Phil Rosenzweig, “The Halo Effect, and Other Managerial Delusions,”
The McKinsey Quarterly, no. 1 (2007)

an incentive fund, or “wedge,” for which components could compete by offering up changes to or termination of a program late in system development.

Conclusion

DOD’s attributes make governing difficult. From its scale and complexity to the Title 10 supply-and-demand division between providers and customers to the dynamics of the iron triangle comprising DOD components, the defense industry, and Congress, DOD is a unique organization in the U.S. government and in American society. Changes in culture will ultimately be needed to realize marked improvements in DOD governance. A healthy skepticism is warranted about the prospects for achieving such change.

Yet a shift in DOD culture is already under way. The next secretary of defense should leverage ongoing changes to focus the department even more on the president and the joint warfighter as its customers. He should emphasize the centrality of performance and execution to achieving his vision and encourage

adaptability and innovation. He should reach for integrated, department- and government-wide solutions to complex problems and invite Congress to join a dialogue on defense priorities.

This report’s recommendations are intended to help the next secretary of defense and Congress accelerate the pace of reform. Creating a secretary of defense–driven decision, execution, and assessment system that holds principals and their organizations accountable is the foundation for any other reforms attempted in DOD. Establishing a principal staff assistant, such as the proposed D(SEA), to help the system function will improve the system’s chances for enduring. Effective use of capabilities-based approaches, including JCIDS and capability portfolio assessment, will better link ends to ways and means and improve the defense program’s transparency and rationality. Finally, creating a dedicated advocate or set of advocates for the future joint force will begin to bring supply and demand into needed equilibrium. For Congress’s part, there must be urgency to the confirmation of key national security decisionmakers if defense reform, especially in the area of strategic direction, is to succeed.

As this simple tool kit demonstrates, the keys to effective governance will ultimately not be found in a proscribed set of institutionalized processes, but in the ability of the secretary of defense and his principal civilian and military advisers, working closely with Congress, to make good and timely decisions and ensure their nimble execution.



INTRODUCTION

The U.S. Department of Defense (DOD) is one of the world's largest organizations. In addition to the 23,000 employees at its headquarters in the Pentagon, DOD employs some 2 million active duty military and civilian men and women at more than 6,000 facilities around the world.¹ The Department of Defense's enormous \$471 billion budget reflects the vastness of the military enterprise.² DOD's effectiveness, in turn, is measured in U.S. military capability, which is unparalleled not only in the current times but throughout recorded history.

Given DOD's size and scope, it is unsurprising that numerous studies during the past decade have focused on its management and governance reforms. The Government Accountability Office alone has produced 90 reports on DOD management- and governance-related issues since 1997.³ By comparison, over the same period, the GAO has produced only 11 reports on State Department management.⁴ Among the goals DOD reform proposals cite are protecting the lives of U.S. service personnel, improving the capabilities provided to the joint warfighting community, promoting broad national security objectives, and providing a better return on U.S. taxpayers' enormous financial commitment.

From its inception, the CSIS Beyond Goldwater-Nichols (BG-N) project has championed targeted defense reform. In its Phase 1 report, the BG-N study team called for rationalized headquarters structures, a joint approach to command and control, better defense resource allocation, a strengthened civilian national security cadre, improved interagency and coalition approaches, and better congressional oversight of the defense establishment.⁵ The Phase 2 report built on this strong analytic foundation. In addition to its interagency reform recommendations, the report emphasized the need for better joint capabilities requirements and defense acquisition processes, improvements to logistics support and the management of defense agencies, updates to the military officer management system, and modernized professional military education.⁶ In 2006, CSIS issued its BG-N Phase 3 report. The report assessed several influential DOD and independent studies relating to defense acquisition and the department's planning, programming, budgeting,

1. This figure for total personnel does not include U.S. National Guard and Reserve, which constituted an additional 1.1 million people as of September 2007; see <http://www.defenselink.mil/pubs/dod101/index.html>.

2. Department of Defense Appropriations Act, 2008, Public Law 110-116. This figure does not include emergency supplemental appropriations.

3. The number of Defense Department reports includes all GAO reports for the period 1997–2007 in the following categories: financial management, defense headquarters, defense management, Quadrennial Defense Review, and defense plans.

4. The number of State Department reports includes all GAO reports for the period 1997–2007 in the following categories: major management challenges, program risks, and financial management. The most recent relevant GAO report for the State Department was in 2003.

5. Clark A. Murdock et al., *Beyond Goldwater-Nichols: Defense Reform for a New Strategic Era: Phase 1 Report* (Washington, D.C.: CSIS, March 2004).

6. Clark A. Murdock and Michèle A. Flournoy, *Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era, Phase 2 Report* (Washington, D.C.: CSIS, July 2005).

and execution (PPBE) system but withheld recommendations on these issues pending the fourth phase of the Beyond Goldwater-Nichols effort.

This Phase 4 report is the final installment in the Beyond Goldwater-Nichols project's assessment of defense reform. It takes a strategic view of defense governance, focusing on the efforts of the next secretary of defense and his senior-most aides to fulfill priority objectives. With so many prior reform efforts to build on, the BG-N study team sought to identify the key problems inhibiting effective performance in DOD and the barriers to reform that prevented earlier proposals from taking root. During nine months of research, the team interviewed current and former DOD officials (from the military departments, combatant commands, Joint Staff, and the Office of the Secretary of Defense), congressional staff, and independent experts; assessed prior reform proposals and the potential applicability of corporate governance and organizational reform literature; and regularly consulted a working group made up of expert stakeholders. The study team further refined its recommendations in consultation with numerous senior reviewers.⁷

Based on its research, the BG-N study team adopted the following “golden rule” to guide its proposals:

Senior leaders in any organization are generally predisposed toward reforms that are simple to understand and implement, inexpensive, reduce personnel, do not require new organizations or layers, and do not require new authorities or legislative action. Wherever possible, the BG-N study team sought to achieve its objectives in line with leaders' predispositions in order to strengthen the chances for implementation and eventual institutionalization. Yet, some of the most successful reforms, such as the 1986 Goldwater-Nichols Act, defy leaders' predispositions. Where more radical change is needed, reformers must understand and accept that true organizational adaptation requires strong executive or legislative leadership, or both, as well as changes in underlying organizational incentives.

Building on this golden rule, the BG-N study team adhered to the bedrock principles delineated in the Phase 1 and 2 reports, as well as to additional guiding principles identified during the course of the Phase 4 effort:

- **Civilian control of the military is a paramount value.** As the president's representative, the secretary of defense should have appropriate tools and mechanisms to exercise authority and control over the defense establishment and U.S. military forces.
- **Unity of effort is necessary.** Jointness—the ability to plan, organize, and operate as a cohesive whole—should be improved and extended as a means to achieve superior military, interagency, and coalition outcomes.
- **The institutional vitality of the military departments should be maintained.** Success in joint operations depends on strong, innovative, and independent military departments that can propose competing solutions and complementary ingredients for joint, interagency, and coalition problems.
- **DOD should continue to man, train, and equip along component lines.** The military departments should retain their fundamental man, train, and equip functions, as provided for in Title 10 of the U.S. Code. Significant changes are needed in how the executive and legislative branches assess and prioritize capabilities, which this report will address. Nevertheless, once key programming decisions are made, the military departments, defense agencies, and other

7. Members of the BG-N 4 Governance Working Group are listed in appendix A; participants in the BG-N 4 Governance Senior Review Group are listed in appendix B.

empowered providers are generally best prepared to execute those decisions.

- **The strength of the American political system should be sustained.** Divided government may create inefficiencies, but it should be fully embraced as the defining element of the U.S. Constitution's tenet of checks and balances. Good governance must ensure effective congressional oversight of the Department of Defense, which requires improvements in both the executive and legislative branches.
- **Facilitating action is preferable to incentivizing inaction.** Cultures and processes that resist change or take too cautious an approach to change will significantly impede reform. The rapid evolution of the security environment requires nimble adaptation by our security apparatus.
- **Any individual or organization given new roles or responsibilities should have the ability to execute them.** Too often, reforms change organizational wiring diagrams without commensurate adjustments in resources and authorities. This creates a particularly hostile environment for new or adapted organizations, significantly decreasing their chances of success.
- **Competition of ideas is critical to effective decisionmaking, but it should be structured and managed.** A successful governance process must create an environment that balances independent and innovative thought with incentives for clarity and decisiveness.
- **Large staff size is a poor metric for success.** Efficient operations should be rewarded. Those organizations that get the most done with the least staff should be considered the most reliable agents for new missions. Conversely, organizations performing poorly despite a substantial dedication of human resources should not be targeted for new missions.
- **Organizations, processes, and authorities should facilitate the actions of effective leaders while mitigating the potential damage of ineffective ones.** Individuals and their relationships are critical factors in the success of any organization. The right mix of personalities can tremendously advance good governance; poor leadership can doom even the most rational system. A good governance process should align organizational incentives in such a way as to assist good leaders in achieving success and minimize poor leaders' ability to undermine it.
- **Changes in behavior require changes in underlying incentives and organizational culture.** Organizations are highly unlikely to change their behavior simply because they have been di-

Studies are simply too prone to advance far-reaching proposals while remaining insensitive to possible sources of support and opposition in the bureaucracy, White House, Congress, and public. If they are to influence the shape of public institutions such as the Department of Defense, organization studies and other literature of this genre must advance reorganization proposals developed with an informed appreciation of the likely boundaries of the politically possible.

Archie Barrett
Key contributor to the
1986 Goldwater-Nichols Act

rected to do so. Generally, they and the people who populate them are at some level utilitarian: their performance and culture directly reflect the incentive structure within which they operate. The 1986 Goldwater-Nichols Act's requirement that all general and flag officers have prior joint duty service is a model for the power of incentives in behavior modification.

Too often, reform efforts fail to abide by this last principle. Many proposed changes have faltered because they neither take account of reality nor create a new reality that leaders can embrace. The most important ingredient of successful reform is its influence on incentive structures. Proposed changes must either work within the existing incentive structure or propose a new one to replace it.

The menu of defense governance problems is extensive. The BG-N 4 study team focused its work by using prior treatment of issues in the Beyond Goldwater-Nichols project as a determinant for issue inclusion. It did not reevaluate standing BG-N recommendations except in those exceptional cases where it deemed such revision to be warranted. In cases where prior BG-N study teams had identified issues for future inquiry, the BG-N 4 team incorporated such issues into the problem set.

In addition, the BG-N study team applied an initial cost-benefit analysis, weighing the likely benefits to be reaped by overcoming a particular inefficiency or barrier in DOD's governance enterprise to determine whether the issue was worthy of attention. It then assessed stakeholders' openness to change in that particular issue area and the anticipated resource requirements to implement change, in terms of time, personnel, and financial resources. Where payoff for change was potentially high, either because an issue was of overriding importance or because barriers to reform initially appeared low, the problem area was included within the scope of study.

The remainder of this report addresses each major issue area in turn. Chapter 1 provides background on defense governance today. Chapter 2 provides an overarching framework for DOD governance. Chapter 3 focuses on improving strategic direction. Chapter 4 focuses on the difficult task of improving long-term DOD capabilities development. Chapter 5 assesses ways to create an accountable execution system. Chapter 6 articulates ways to sustain good governance. Chapter 7 focuses on advocacy for future joint force development. Finally, chapter 8 articulates ways to improve force development processes.

1

DEFENSE GOVERNANCE TODAY

Defining Governance

Governance is the structure and relationships among key stakeholders that determine an organization's direction and performance. The Department of Defense is host to a complex web of interactions, the management of which directly affects the secretary of defense's success. The secretary of defense's relationship with the chairman of the Joint Chiefs of Staff, and that of their respective staffs, is one such set of associations. Two others are the secretary's links to the unified and combatant commands and the military services. The secretary's key internal customer is the joint warfighter, embodied today by the regional combatant commanders. The joint warfighter is responsible for executing all military missions assigned to the Department of Defense.

To govern DOD effectively, the secretary must also cultivate relationships with stakeholders outside the department. The president is the secretary of defense's primary external customer. The secretary must ensure that he is advancing the president's defense agenda including through close interaction between his staff and the president's staff, the National Security Council staff, and the Homeland Security Council staff. The secretary of defense must also manage his relationship with interagency counterparts, most notably the secretary of state and the secretary of homeland security. These interagency partners rely on DOD expertise and assets to achieve their goals, just as the secretary of defense relies on their expertise and assets to manage roles and missions for the military. Congress is a crucial stakeholder and potential partner for the secretary. Without support on Capitol Hill, the secretary cannot advance the administration's defense agenda. Finally, the secretary of defense must attend to relationships outside the U.S. government. This includes an ever-increasing array of actors, including foreign allies, coalition partners, nongovernmental organizations, multinational defense organizations, and the United Nations.

Objectively, DOD's governance can be judged against two basic questions:

- Did the secretary of defense, the department's chief executive officer, achieve his key goals in the expected time frame?
- Are the joint warfighter and the president of the United States satisfied with the value they are receiving?¹

Yet, the secretary of defense is not afforded the luxury of a solely objective reality. Societal and political lenses are applied to the secretary's performance as well. These more subjective measures can be reduced to:

- The perception of having set and made substantial progress on an effective defense agenda;
- The perception of having advanced positive civil-military relations; and
- Having overseen successful military operations.

1. Department of Defense, *Quadrennial Defense Review Report*, February 6, 2006, p. 1, defines this as a key goal.

This second set of metrics may not always be fair, but they are real nevertheless. At a minimum, an effective governance process should facilitate the secretary's ability to succeed with regard to objective criteria. Optimally, a robust governance framework will also advance the secretary's prowess along subjective measures.

In its 2006 *Quadrennial Defense Review Report*, DOD noted two additional levels of activity below governance: management and work. These three levels of activity—governance, management, and work—translate easily to a defense context where they accord well with military levels of operation—strategic, operational, and tactical. The BG-N study team thus adopted this three-tiered view of enterprise activity while noting that, as in levels of operations, lines often blur and multiple gradations within each level are common.²

DOD's Current System of Governance

Today, the Department of Defense's senior leadership uses several major forums and processes to govern. Governance forums change routinely. Figure 1.1 depicts the major governance forums and their relationship to one another as they existed in mid-2007. The secretary of defense holds a quarterly Defense Senior Leaders' Conference (DSLCL), including the deputy secretary of defense, chairman and vice chairman of the Joint Chiefs of Staff, ten combatant commanders, four service chiefs, and five under secretaries of defense, along with a handful of other key advisers. The DSLCL has met quarterly for the past few years, but current plans are to reduce its frequency to twice each year. Agenda setting for the DSLCL is primarily managed by the Office of the Under Secretary of Defense for Policy and the Joint Staff.³ Former secretary of defense Donald Rumsfeld originally convinced the DSLCL, and its predecessor Strategic Planning Council, to supplement his primary governing forum, the Senior Leader Review Group (SLRG).⁴ That more frequent meeting venue included the same set of actors as the Defense Senior Leaders' Conference with the notable exclusion of the combatant commanders. The SLRG seldom met during 2007 and may be defunct for the remaining tenure of this administration. Nevertheless, many secretaries of defense have convened groups with similar composition to help steer the Department.

Much of the department's formal governance activity occurs below the senior principals level. The BG-N study team refers to this secondary layer of governance as "Tier 2" to distinguish it from the secretary's own "Tier 1" layer. The current locus of enterprise-wide oversight occurs in Tier 2 through the Deputy's Advisory Working Group (DAWG); this is chaired by the deputy secretary of defense and nominally co-chaired by the vice chairman of the Joint Chiefs of Staff. The DAWG includes the service vice chiefs; the under secretaries of defense; the deputy commander, U.S. Special Operations Command; the director, Program Analysis and Evaluation; and a few other Office of the Secretary of Defense (OSD) staff. Deputy Secretary Gordon England established the DAWG at the conclusion of the 2005 Quadrennial Defense Review (QDR), during

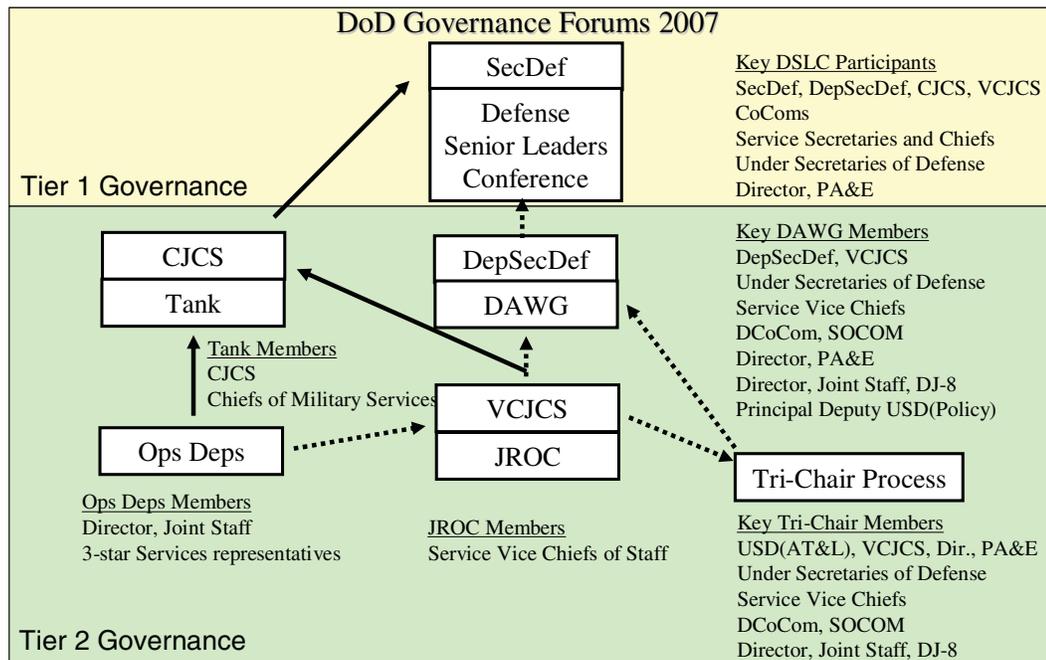
2. For a brief description of the distinctions among governance, management, and work, see the 2006 *Quadrennial Defense Review Report*, p. 65.

3. The DSLCL is held in conjunction with the chairman-led combatant commanders' conference.

4. The SLRG was actually former secretary Rumsfeld's second effort to establish a governance forum. His first, the Senior Executive Council, comprised the service secretaries, comptroller, chairman, and vice chairman, and the under secretary of defense for acquisition, technology, and logistics.

The Strategic Planning Council was created based on a recommendation from former under secretary of defense Pete Aldridge, whom Rumsfeld asked to make recommendations for defense reform. For the full set of Aldridge's recommendations, see Joint Defense Capabilities Study Team, *Joint Defense Capabilities Study: Improving DOD Strategic Planning, Resourcing, and Execution to Satisfy Joint Capabilities*, Final Report, Department of Defense, January 2004. The BG-N Phase 1 Report addressed in detail both the Aldridge group's recommendations and DOD's early implementation efforts.

Figure 1.1. DOD Governance Forums, circa 2007



Note: Dashed lines indicate informal relationships among forums. Solid lines denote formal chains of command.

which he had used a similar body, the so-called Group of 12, to steer the department’s effort. Previous deputy secretaries of defense have used a group much like the DAWG to assist in overseeing DOD’s key resource and business process issues.⁵

Multiple second-tier governance processes feed into the DAWG. The most prominent are program and budget, defense acquisition, and force development. Each of these systems has its own governance and management processes and leads. From 2005 to 2007, former under secretary of defense for acquisition, technology, and logistics Ken Krieg spearheaded a substantial effort to integrate these three processes. Along with the vice chairman of the Joint Chiefs of Staff and the director, program analysis and evaluation, Krieg led a “Tri-chair” forum as part of a “Concept Decision Initiative.” It consisted of a group almost identical in composition to the DAWG. As the defense acquisition executive, the under secretary for acquisition, technology, and logistics has the authority to make acquisition decisions that are not technically subject to the deputy secretary’s review. The Tri-chair process at once reasserted this distinction while securing appropriate coordination with the deputy’s agenda and the other processes of the department. Since key 2007 changes in civilian and military leadership took place in the summer of 2007, the Tri-chair process has yet to convene. At the working level, efforts to integrate requirements, acquisition, and programming continue under the auspices of the Tri-chair process. As of January 2008, it is unclear whether the Tri-chair process will be maintained or if some other formal or informal coordination processes may take its place.

With the exception of some issue-by-issue attention in the DSLC and an increasing though still limited focus in the DAWG, defense strategy and national security policy is largely decided

5. The Defense Resources Board was one such DAWG predecessor.

outside of the formal governance processes. The under secretary of defense for policy, or USD(P), under whose purview these matters reside, is an invitee to both the DSLC and the DAWG. Nevertheless, the normal method of discourse for these issues is for the under secretary and a smaller set of advisers to work them directly with the secretary and deputy secretary of defense.

Challenges to Effective DOD Governance

Over the past two years, the Department of Defense, and the deputy secretary of defense in particular, has worked hard to improve DOD governance. The 2006 *Quadrennial Defense Review Report* highlighted the issue, noting, “as we emphasize agility, flexibility, responsiveness, and effectiveness in the operational forces, so too must the department’s organizations, processes and practices embody these characteristics if they are to support the joint warfighter and the Commander in Chief.”⁶ Yet many significant governance problems remain.

There is no single, common vision of governance in DOD. The most unifying governance process within DOD is the Planning, Programming, Budgeting, and Execution (PPBE) System.⁷ Forty years after its creation, PPBE remains DOD’s best system for articulating desired ends and developing a near and mid-term resourcing strategy to meet these ends. The PPBE system has nevertheless withered significantly over the past decade, a topic addressed in greater depth in chapter 3. Further, PPBE cannot possibly capture the breadth of activity critical to good governance. A member of the BG-N study team liked to quip, “If it ain’t in the POM (Program Objective Memorandum), it ain’t.” In times of relative peace, resourcing is usually seen as the most important decision execution indicator. It is not the only one, however. Operational success, efficient use of taxpayer investment, and geopolitical advances are other performance measures that are not well captured in today’s PPBE system.

A related problem is the paralyzing complexity of Department of Defense processes. There are numerous systems of direction and oversight, and a variety of forums to guide the department’s activities. Senior leaders have many opportunities for visibility and decisionmaking, but their guidance is not well orchestrated across key issue sets, including strategy development, force management, force development, and business processes. When multiple guidance documents produced by these competing systems conflict, customers, capability providers, and other stakeholders inside and outside the department are left to determine which are binding and which can be ignored. As should be expected, components often take advantage of Balkanized guidance, interpreting it as favorably as possible for their own interests.

Compounding the complex and stovepiped nature of DOD enterprise governance is the paucity of feedback and assessment mechanisms. Even if the secretary of defense had an ideal decision-making process, he would still suffer from the department’s currently limited ability and appetite to track the most important decisions through execution and then systematically evaluate them in order to adjust policy and activity where needed.

Where success is achieved in the department’s current governance system, it is typically due to good relations among key individuals. In recent years, the Department of Defense has touted the strong relationships that exist among the civilian and military members of the secretary’s team. Positive relationships are critical for the success of any governance system, but they cannot sustain themselves in the midst of a stifling incentive structure. As the rise and potential fall of the Tri-chair concept demonstrates, when personalities change, so often do processes. Moreover, good

6. Department of Defense, *Quadrennial Defense Review Report*, 2006, p. 73.

7. PPBE was originally christened the Planning, Programming, and Budgeting System (PPBS). In 2002, its name was changed in an attempt to emphasize the importance of effectively executing the budget.

relations at the top do not guarantee cooperative working relationships across the organization. Absent longer-term incentives to instill a culture of transparency and collaboration, positive working relationships across competing interests tend to wither.

The twentieth century data management, process, and analysis tool set with which DOD governs is a further hindrance to its effectiveness. Many of the systems and processes have not adapted in line with organizational theory and information technology advances. Analytic models and other tools are often cumbersome and input intensive. Major processes, such as PPBE, are excruciatingly slow and iterative. Moreover, systems and processes lack commonality. Each service and other major DOD component has its own system for storing and displaying data about forces, resources, and personnel. Often, the secretary's staff is unable to assess across these databases—or must invest heavily to do so. The lack of a single, common analytic or financial database significantly impedes the decisionmaking capability of the secretary and his team.

In short, DOD suffers from significant integration problems. Integration needs are both horizontal, tying the services and other “business units” together to focus on enterprise missions to which many contribute, and vertical, ensuring that decisions made at the top are executed and the results are then assessed. Foremost among the inhibitors to effective integration are conflicting incentive structures, which tend to drive individual components to either maximize their own share of resources or collaborate with others to settle for a least-common-denominator, logrolling payoff. Both behaviors result in suboptimal outcomes for the department as a whole.⁸

A second integration barrier is the underrepresentation of key stakeholders in the current governance system. This is particularly true of the combatant commands, among the Pentagon's self-identified customers. In interviews, representatives of these customers (in some cases the combatant commanders themselves) universally shared their frustration at being ill served in many of the Pentagon-centric governance and management forums. In addition, dysfunctional relations between DOD and the Congress, a major stakeholder, have hampered good governance of the department.

The department's inchoate processes for setting a strategic agenda and decision support also make enterprise-wide governance difficult.⁹ This is true for even the best-intentioned secretary, but the situation is even more problematic in the too frequent instances where the secretary of defense fails to directly invest himself in agenda setting. Since 2005, the deputy secretary of defense has largely governed the Department of Defense. Although the deputy secretary should be applauded for ensuring that DOD at least has a governance system, by virtue of his division of labor with the secretary of defense, his view of the governance problem set is decidedly more management focused than might be provided by combatant commanders, service chiefs, and the secretary himself. As one study team member remarked, “It shouldn't be surprising that a second-tier governance process gives you second-tier governance results.”

Conclusion

Today, DOD shows multiple signs of governance shortcoming. Its complex system of governance and management processes are often poorly integrated. There are few effective execution oversight,

8. Game theory illuminates how rational these behaviors are for DOD's components, given existing incentive structures. Components may choose to defect rather than cooperate, in the classic prisoner's dilemma sense, for fear of others' potential defections, thus maximizing their potential payoff. Alternatively, if they fear reprisal from other components for a defection, or maximizing strategy, they choose to cooperate in order to balance out the payoff that each can receive.

9. Some working group members and interviewees believe the agenda setting process is really in hibernation. These individuals spoke with admiration of earlier eras of defense agenda setting. The McNamara era and the late Cheney years were two time frames highlighted to the BG-N study team in this regard.

performance measurement, and feedback mechanisms for the secretary's highest-priority issues. The relationship between the department's governance agenda and the administration's key defense priorities is seldom obvious. Key stakeholders, especially Congress, civilian U.S. government partners, and the combatant commanders, have too little insight into governance forums. The Department of Defense, like any organization, needs a framework for determining its direction and measuring its performance. Creating such a framework is a secretary of defense's linchpin of success. His own performance will be judged in large part by the department's perceived progress in fulfilling the administration's defense agenda. Reforms aimed at addressing the system's current failings could significantly improve the next secretary's chances for success.

2

CREATING A DECISION-EXECUTION-ASSESSMENT SYSTEM

The Department of Defense has made strides since the 2005 QDR to improve governance processes. These efforts lack a holistic framework, however, and thus tend to focus on fixing pieces of the existing system without first creating for the secretary an overall concept of governance. It is a natural inclination for internal reformers to focus on discrete problem areas that can be incrementally improved rather than on the seemingly mammoth task of overhauling the entire enterprise. Internal reformers try to alter what they can control, which is almost always less than the whole. But by themselves, internal reforms to date have failed to deliver the three key governance functions that any secretary of defense needs to succeed at DOD's helm.

First, the governance process must facilitate senior leadership's readiness to decide, which includes its ability to make informed decisions on the right issues. Second, the process must ensure that DOD components execute these decisions. Third, effective governance requires a systematic means to assess both decisions and their execution. These three types of activity often overlap and occur at multiple levels: governance, management, and work. The secretary of defense is unlikely to be directly involved in the majority of issues winding their way through the decision-execution-assessment system. What matters is that his priorities, which likely reflect the president's own interests, are expeditiously and effectively addressed.

Any incoming secretary of defense will want to create some version of this simplified approach to governance—decision, execution, and assessment. The remainder of this chapter discusses the decision-execution-assessment process—and its associated rationale—that the BG-N study team believes will best serve senior defense leaders.

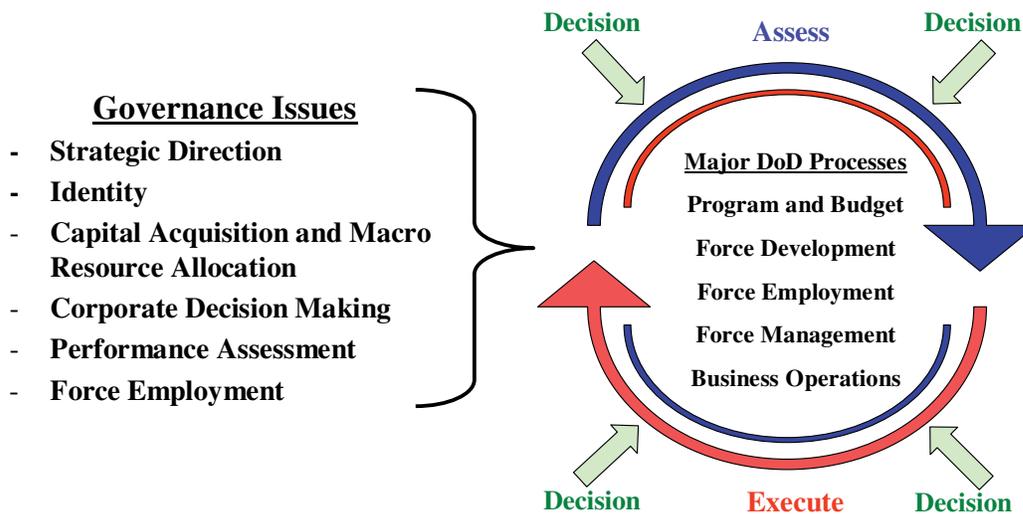
Focusing the Governance Issue Set

A parade of issues including long-term vision, immediate operational crises, financial imperatives, and human resource challenges, to name just a few, compete for DOD senior leaders' attention. The problem is exacerbated by the time-consuming nature of decisionmaking in a bureaucracy, even when decisions concern relatively minor issues. Focusing senior leaders on their governance role atop this complex enterprise is critical.

Recognizing the imperative for the secretary's leadership team to distill governance into a manageable menu, the 2006 *Quadrennial Defense Review Report* defined six key issues for DOD. The BG-N study team concurred that these six issues compose the appropriate domain of defense governance. The first—setting grand strategic direction—comes in many forms and may originate with the president or the secretary of defense. The remaining five issue areas represent downstream activities that should align with strategic direction, however expressed, in order for the secretary to govern effectively:

- **Advancing a positive corporate identity.** This includes effectively communicating the department's role, intentions, and values to key stakeholders, such as U.S. adversaries, domestic and foreign audiences, DOD employees, potential recruits, and Congress.

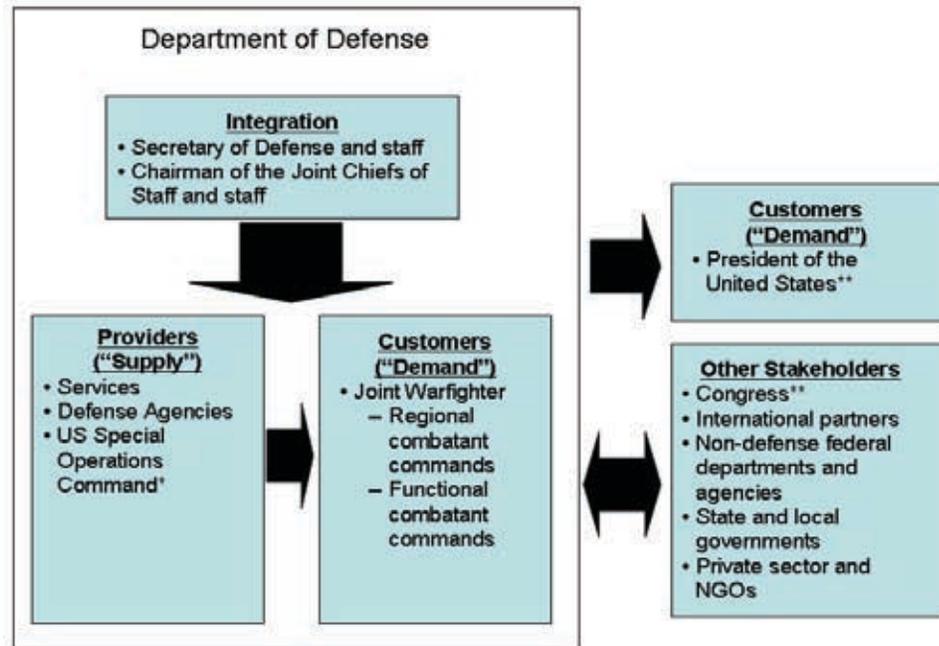
Figure 2.1. Governing the Decision-Execution-Assessment System



- **Determining major capital acquisition purchases and overseeing macro resource allocation.** Approving major shifts in funding or purchases to best meet force structure and force posture objectives, including shining a spotlight on an important but hitherto ignored capability area (or a well-resourced but decreasingly relevant area) is a critical governance issue.
- **Ensuring effective corporate decisionmaking.** Senior leaders are accountable for being both decisive and effective—and the latter quality requires the former. As in the corporate sector, senior leaders need good processes and tools to help them make the right decisions on the right issues.
- **Assessing enterprise performance.** The secretary of defense could never manage to track and understand all aspects the department’s performance, nor should he try. Performance assessment in the corporate sector is typically a federalized activity, wherein data is measured throughout the system and reported up through business units and portfolio managers. The same principle should apply to DOD governance. What matters is that the secretary of defense understand the measures of performance most pertinent to key objectives and that these are tracked, assessed, reported, and acted upon.
- **Ensuring effective training, management, and employment of U.S. military forces and other assets.** In DOD, as in almost all organizations, human resources are a linchpin for success. Although decisions about where, when, and how to use forces are integral to strategic direction, they are significant enough to merit their own governance emphasis.

Governing through a decision-execution-assessment system enables DOD’s senior leaders to focus on the key decisions needed in each of these six areas and energizes their efforts to ensure that structures, processes, and policies are consistently generating positive outcomes across the issue set. Figure 2.1 illustrates this conceptual framework.

Figure 2.2. DOD Stakeholders



Notes: * USSOCOM is uniquely structured as both a provider and customer.

** American citizen/taxpayers are represented in this model by the president and the Congress.

Stakeholder Roles in Governance

Good governance requires participation by all key organizational stakeholders. Not all stakeholders have equal interest or claim on governance, but they all require some input to and understanding of the organization’s direction, progress, and destination. There are two basic categories for DOD stakeholders: those internal to the department and those external to it. Figure 2.2 depicts the full range of stakeholders.

Internal Stakeholders

Joint warfighters, as embodied by the regional combatant commanders, are the department’s key internal customers and its most important stakeholders. The effectiveness of the defense enterprise is measured in its ability to meet customer needs, and these customers must inform department governance. Today, the combatant commanders and the chairman and vice chairman of the Joint Chiefs of Staff represent the joint warfighter. This report contends that the department requires a dedicated advocate for the future joint warfighter to strengthen the demand signal of this under-represented future constituency—an issue that will be addressed in greater depth in chapter 7.

The “business lines” of DOD are its providers—those who man, train, and equip the forces provided to the current and future joint warfighter. Most notable among these providers are the four military services, represented by their respective chiefs of staff and the three secretaries of the military departments. Defense agencies are another type of provider, supplying key capabili-

ties from logistics to missile defense technology. Defense agency representation is decentralized within DOD, although the under secretary of defense for acquisition, technology, and logistics, or USD(AT&L), currently oversees several of the most important provider agencies.

At the governance level, the staff elements of the Department of Defense enterprise are represented by the senior leadership of OSD and the Joint Staff. These stakeholders, sometimes referred to colloquially as the “vice presidents,” are often issue advocates themselves.

External Stakeholders

Most important among the department’s external stakeholders is the president of the United States, whom the Department of Defense seeks to provide with effective military capabilities that maximize the range of available strategic options. Meeting the president’s expectations is typically foremost in the mind of the secretary of defense, as the secretary and other senior DOD leaders serve at the president’s pleasure.

Congress is another significant external stakeholder for the Department of Defense. Together with the president, Congress embodies the interests of the American public. Its power of the purse makes Congress a crucial partner in achieving the secretary’s critical initiatives and objectives. The separation of powers between legislative and executive branches creates obvious sources of tension between the secretary of defense and Congress. If the relationship is well managed, these tensions can be healthy, producing effective and efficient results for the American public. At times, however, the tension between the secretary of defense and Congress can be debilitating to the department’s governance.

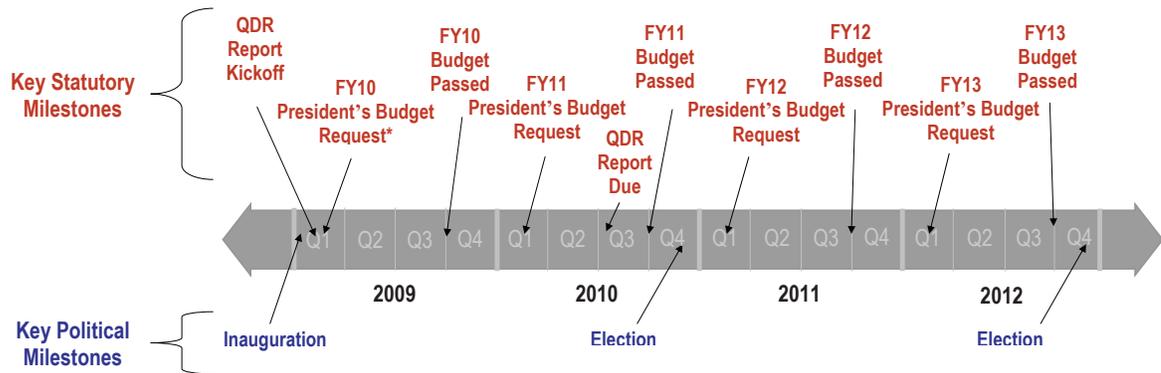
Department of Defense strategy has paid increasing attention to the critical role of U.S. government, nongovernment organizations, the private sector, and overseas partners. Governance interests among this wide range of stakeholders vary. Partners may rely on the Department of Defense for support in their operations, as in Hurricane Katrina. They may also rely on the Department of Defense for its policy pronouncements in support of allies, as with the extended U.S. nuclear deterrent. Nongovernmental organizations might look to DOD to clarify their role and DOD’s relationship with them in order to create a separable humanitarian space in disaster-ravaged and war-torn environments. The defense industry works interactively with the department to define the future strategic environment and the technologies and capabilities needed to address it.

Stakeholder Roles

There is no precise formula for stakeholder involvement in deciding, executing, and assessing the defense agenda. Governance is at least as much art as science. In general, however, it behooves a secretary to have key stakeholders more, rather than less, involved.

A central tenet of good governance must be the active and direct engagement of customers. The secretary of defense must have clear and regular communication with the president and be able to articulate the president’s defense vision and objectives to all other stakeholders. The joint warfighter also needs dedicated representation in the governance process. The single greatest stakeholder failing in DOD’s current governance system is its failure to reach a healthy equilibrium between provider (supply) and customer (demand) input. Instead of balancing supply and demand, governance in DOD strongly favors the provider, who is typically better staffed, resourced, and represented than customers in key forums and processes. This issue puts the secretary’s ability to meet his key outcome measures at risk. Chapter 7 will address the supply-demand equilibrium at length, but is important to stress here that key governance processes and forums must facilitate the active involvement of the joint warfighter. External stakeholders are likewise left out of virtually all governance discussions.

Figure 2.3. Timeline: The Legislative and Political Landscape



Note: DOD's FY 2010 budget submission will be largely completed prior to the inauguration of a new president.

Governing on the Washington Clock

The secretary of defense must meet a number of domestic political milestones—notably the annual budget submission, the legislative requirement for a quadrennial defense review, and producing and communicating near- and long-term results in advance of congressional and presidential elections. At a minimum, the secretary's governance approach must take these mile markers, illustrated in figure 2.3, into account. Good governance would go further, taking advantage of the calendar to drive the administration's defense agenda.

There are obviously many realities and expectations that intervene to complicate a secretary of defense's governance clock, but the BG-N study team believes a secretary, like any good chief executive officer, must constantly streamline and focus to achieve his key objectives. The following timing principles help the secretary to simplify governance:

- Set a quadrennial prioritized agenda, such as through the legislative mandate for a quadrennial defense review;
- Submit annual budgets to move the agenda forward; and
- Drive quarterly, selective performance reviews and resolve key issues on a schedule synchronized with likely legislative milestones.

The next chapter focuses on the use of quadrennial, annual, and quarterly strategic direction mechanisms to achieve the department's key goals.

Conclusion

The secretary of defense needs a unifying, simple, and credible governance framework if he is to drive his agenda through the department. Viewing governance through the lenses of decision, execution, and assessment can substantially simplify the complex task of overseeing the defense enterprise. The secretary can further focus his core team on the six core governance issues that senior leadership must address, and thereby devolve other responsibilities through DOD's federated

system. Doing so will eliminate substantial governance “noise.” Finally, expanding and balancing stakeholder input and generating a sound, quadrennial, annual, and quarterly governance rhythm will start to provide the transparency and predictability needed to change incentives.

A secretary of defense can create an informal decision-execution-assessment framework through force of personality alone. Such an advance would be a welcome improvement to the current governance system, which largely operates without a unifying, secretary of defense–driven agenda. Nevertheless, a charisma-based approach is insufficient to effect long-term change. Good governance will only become part of the department’s institutional culture when the various expertise, processes, and tools central to its execution are staffed and resourced appropriately.

The remaining chapters of this report address the key reforms the BG-N study team believes are the minimum essential to sustain effective governance in the Department of Defense. This includes targeted improvements in quadrennial, annual, and quarterly strategic direction, joint capabilities–based approaches to evaluate fulfillment of that direction, and performance measurement and incentives by which to assess and mold progress. It also includes recommendations to develop and employ the most effective joint force possible, which will require better balance between supplier and provider perspectives.

Key Recommendations

Driving the defense agenda requires the secretary of defense to govern through a framework of decision, execution, and assessment:

- Ensure the right decisions are made at the right time on the key issues.
- Ensure that decisions are executed and individuals and organizations are held accountable for their effectiveness.
- Ensure that execution and decisionmaking are routinely assessed and feedback incorporated into future efforts.

3

IMPROVING STRATEGIC DIRECTION

Strategic Direction Defined

Grand strategy is the nation's planned approach to achieving desired national security objectives. Strategy comprises three elements—ends, ways, and means. Ends define the desired outcomes, ways define the broad thematic paths to achieving those ends, and means denote the particular tools one will employ. Security strategy encompasses the myriad lenses of domestic politics, national economy, defense policy, and U.S. foreign relations. Despite the near universal acceptance of these definitions, strategy is commonly treated as synonymous with ends alone.

Strategy needs to be understood in context. It is always cascading: that which constitute the means in grand strategy serves as the ends in a supporting strategy.

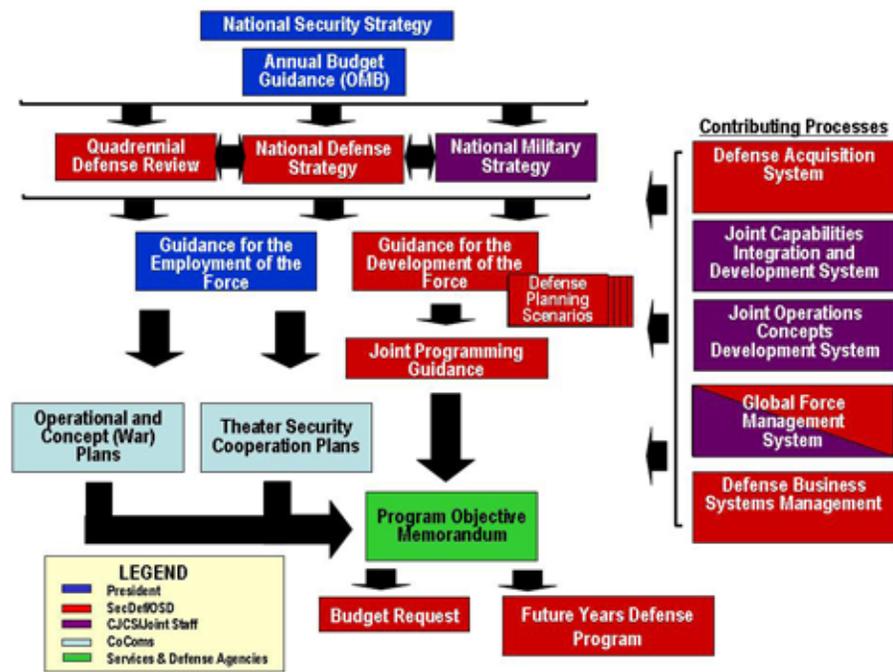
DOD's Current Approach to Strategic Direction

In defense governance, strategic direction is generally confined to the national security strategy and defense strategy levels. Guidance is sometimes informal and undocumented, but the most frequently referenced sources for strategic direction are the president's *National Security Strategy of the United States of America*, the secretary of defense's *Quadrennial Defense Review Report* and the *National Defense Strategy of the United States of America*, and the chairman of the Joint Chiefs of Staff's *National Military Strategy for the United States of America*. These documents have historically been unclassified.

Secretary of defense-issued direction below the *National Defense Strategy* level is typically classified as planning guidance. Figure 3.1 illustrates the complex array of guidance documents that drive the department's activity. This picture is ever evolving, with new types of guidance, consolidations, or name changes occurring regularly.

A case in point is the Department of Defense's current attempt to streamline its strategic guidance processes. This effort is driven by a desire to simplify, clarify, and strengthen the guidance produced for the secretary of defense and thereby improve its implementation throughout the department. Among the changes OSD is piloting are two major guidance consolidations. First, it is creating a single Guidance for the Employment of the Force (GEF) to capture near-term (two-year) direction previously provided in multiple documents. The GEF is primarily targeted at combatant commands but includes near-term direction to the whole department. Second, OSD is executing a force development process, which will produce a single mid-term (five to six-year) Guidance for Development of the Force (GDF) and a companion, though separately staffed and generated, Joint Programming Guidance. Mid-term guidance is of greatest concern to the services and other providers that are directed to program funds in accordance with its stipulations. Nevertheless, as with the GEF, the intended audience for mid-term guidance is all internal stakeholders.

Figure 3.1. Standing DOD Guidance Documents



Challenges with Current Strategic Direction

During the course of this evaluation, the BG-N study team identified numerous obstacles to effective strategic direction.

The overarching failure of the current approach is its often weak linkage between published strategic guidance and key decisions, notably in budgets, programs, and major acquisition decisions. In short, the department is failing to connect plans, programs, and budgets through the PPBE process, and its execution phase is, at best, in its infancy. This failure was not only a singular concern to the many current and former DOD officials the BG-N study team interviewed for this study, it was also highlighted by congressional staffers. Even if one believes DOD perfectly aligns plans, programs, and budgets, Hill staff interviewed for this study were adamant that senior Department of Defense officials are seldom able to articulate these linkages convincingly. This inability has weakened congressional support for DOD requests and increased the department's reporting requirements as legislators look for alternative ways to decipher intent or instill accountability.

Several factors contribute to the broken process. The first is DOD's seeming inability to establish actionable priorities. The guidance provided by the secretary of defense and the chairman of the Joint Chiefs of Staff have long suffered the reputation of being sweeping statements of long-range goals without resource constraints of strategic direction. Critics of these guidance documents point out that nothing is important when everything is important. Key objectives

The traditional planning model is so cumbersome and out of sync with the way executives want and need to make decisions that top managers all too often side-step the process when making their biggest strategic choices. With the big decisions being made outside the planning process, strategic planning becomes merely a codification of judgments top management has already made rather than a vehicle for identifying and debating the critical decisions that the company needs to make to produce superior performance. Over time, managers begin to question the value of strategic planning, withdraw from it, and come to rely on other processes for setting company strategy.

Michael C. Mankins and Richard Steele, "Stop Making Plans; Start Making Decisions," *Harvard Business Review*, January 2006

go unachieved as personnel and organizations selectively interpret or apply guidance. A corollary complaint is that strategic guidance expends too little effort assessing risks associated with key choices (where there are any) and discussing possible risk mitigation strategies.

The relative weakness of joint analytic and decision support capacity compared to the sizable analysis engines resident in the military services is another contributor to the weakness of strategic direction. The secretary of defense and the chairman of the Joint Chiefs of Staff often must rely on service-generated analysis to evaluate key operational and force development decisions. These analyses can be superb, but they suffer from two significant failings. First, stakeholders with opposing viewpoints attack the credibility of each others' analysis and often counter with analyses of their own. The Office of the Secretary of Defense and the Joint Staff, which, to date, have failed to enforce the use of joint analysis standards, consequently must attempt to decode for senior leadership the relative merits of each analysis. In doing so, they are usually comparing apples and oranges, as few joint analytic standards exist, and those that do are ignored without repercussions. Second, service approaches to analysis are designed to explore only their particular areas of interest or competency. The Air Force, for example, has outstanding capability to undertake nodal analysis of key targets to be attacked from the air, but it does not excel at modeling naval engagements. Without a joint analytic approach to look across the entire spectrum of conflict and to evaluate the complete suite of U.S. defense and interagency capabilities, the secretary of defense is poorly equipped to make key decisions.

Also contributing to poor ends-to-means connectivity are the internal weaknesses within and debilitating seams across the multiple organizations responsible for the key components of strategy. The under secretary of defense for policy, or USD(P), currently leads the development of defense strategy and mid-term planning guidance, focusing on the articulation of broad

ends and associated ways, such as needed force attributes and capabilities. Staff composition and overall organizational focus reflect a foreign policy and broad national security policy skill set. By training and, to some extent, by disposition, these specialists worry less about technology, fiscal necessity, and downstream implementation of objectives than about the concepts that frame strategy and embed it within a geopolitical context.

These other specializations are today diffused throughout OSD. Linkage to the intelligence community and its understanding of both the information environment and potential developments elsewhere in the world are among the core responsibilities of the under secretary of defense for intelligence. Understanding of the fiscal future is housed in the under secretary of defense, comptroller, and the director, program analysis and evaluation. Technology trends are the purview of the USD(AT&L); the director, defense research and engineering; and to a lesser extent USD(P). Creating effective strategy requires tapping into these and other key knowledge centers throughout the department and beyond, and the Office of the USD(P) has been slow to do so.

The Office of the Director, Program Analysis and Evaluation (D(PA&E)) is equally hampered. By all accounts, PA&E's heyday was in its youth. Along with the director for Defense Research and Engineering (DDR&E), PA&E engaged in mission area analysis, examining defense capabilities at the aggregate level and making recommendations on major trade-offs among potential future defense directions. Over time, PA&E has decreased its emphasis on mission area assessments of DOD-wide capabilities. Much of PA&E's time is now spent on assessing program change proposals submitted by components in the course of the annual PPBE cycle. These change proposals frequently represent incremental alterations to the current program and are typically confined to a discrete mission area. PA&E's skill set has become honed to an almost budget level of financial detail; it does not now possess the full set of skills needed to undertake true mission area or capability portfolio analysis. In recent years, PA&E has provided few major cross-service, cross-mission area analyses to leadership. Leadership, in turn, has not seemed to realize it should ask for such support. Many former PA&E analysts and observers interviewed by the BG-N study team lamented this change in mission and culture, as did some current PA&E senior leaders.

An additional factor eroding strategic direction is the fragility of the multi-organization, multi-stage process(es) supporting it. Transitions from one phase to the next, and particularly from planning to programming, have been best when there is goodwill and common cause among the secretary's senior advisers. Even under those circumstances, however, cultural differences below the leadership level have undermined connectivity. And, in worse circumstances, staff fissures have resulted in major process disconnects. Mutual disdain between professionals in Policy and PA&E is particularly notable. Although there are certainly good working relationships bridging the two organizations, in general, they are culturally at odds. To some in PA&E, Policy staff seems content to write vague overarching guidance with little regard for fiscal reality. To some in Policy, PA&E staff seems content to analyze narrow slices of the defense program rather than assess major trade-offs. As a result, Policy's planning guidance in the PPBE process does not effectively drive programming guidance or the department's assessment of its mid-term program.

A final impediment to effective strategic direction is the separation of strategy development from the department's governance agenda. Strategy development has long been considered the domain of a small, select group of "big thinkers" in the Pentagon; only infrequently is defense strategy directly debated or discussed in governance forums. This reality is unsurprising, given that DOD governance is today focused at the deputy secretary of defense level, where macro objectives-to-ways connectivity is secondary to ways-to-means discussions.

Evaluating Strategic Direction

Establishing strategic direction is the cornerstone of effective governance. As such, the BG-N study team believes strategic direction should be evaluated by how well it fulfills the following decide, execute, and assess elements.

Decide

Formulating strategy involves understanding the environment and one's objectives and then developing ends-to-ways-to-means linkages accordingly. Its key elements are:

- **Assessment of interests and the environment.** DOD must identify those U.S. interests that it seeks to secure on behalf of the nation. The department must also evaluate the trends and shocks, positive and negative, that could potentially affect defense decisions, from ends and ways to means. The environmental assessment must cover a wide range of disciplines, including demography, economics, domestic political factors, regional and global geopolitical affairs, peace and conflict studies, climate, technology, and information. It should also draw on feedback generated by prior strategic direction, including lessons learned and after action reports.
- **Measure and prioritize objectives.** It is practically an axiom that there are always more ends to achieve than resources with which to achieve them. Some of the best strategies are those that are born from a combination of scarce resources and overwhelming threat, as such circumstances tend to focus the strategist's mind on a few specific goals, discrete supporting capabilities, or both. Even in times of budget largess and periods of so-called strategic pause, objectives should be well-defined and clearly prioritized. As the 1990s demonstrated, periods of plenty can be short-lived, and DOD may well need to adjust its strategy quickly. Clarity and a common understanding of priorities assist the organization in making such rapid adjustments. Moreover, specificity of objectives substantially improves senior leaders' ability to measure the success of execution. It also provides a firm foundation for effective performance management—rewarding those who advance objectives and penalizing those who do not.
- **Evaluation of current capabilities.** The department must assess the effectiveness and efficiency of current ways and means in achieving desired ends. In this phase of the process, the strategist is searching for confirmation regarding the efficacy of current approaches and possible disconnects. An analytic approach that evaluates capabilities in terms of clearly defined and manageable portfolios is useful to the strategist because it keeps focus on the mission objectives rather than disaggregating by more distantly related business lines, such as military service.
- **Formulation of and evaluation of courses of action.** Once the relative merits of extant capabilities and approaches are understood, the strategist identifies the appropriate course or courses of action (ways-to-means connectivity) needed to fulfill objectives. Sometimes, the strategist will do so by creating alternative courses of action for achieving a given objective. These alternative approaches often vary across a range of key factors, including cost, implementation timing, operational soundness, force size and orientation, and technical feasibility.
- **Risk assessment and acceptance.** To complete ends-to-means strategy prioritization, the strategist must clearly articulate where relative risk is accepted in order to fund a reduced risk in high-interest areas. For instance, just as the current *National Defense Strategy* names as its highest priority the defense of the U.S. homeland from direct attack, it should be equally explicit in stating lower priorities that might be decremented to focus on this priority. An example might be to accept risk in the ability of the United States to conduct a counterattack

in a major conflict. If risk is deemed excessive, a strategist may reevaluate potential courses of action and recommend an alternative path.

Execute

As the ends-to-ways-to-means strategy chain is created, evolves, and is continually recreated, it must be translated into action. This translation typically takes place through one of the key Tier 2 governance processes noted in the first chapter and described below:

- **Policy.** Is NATO the best framework for transforming European defense capability? Whether the policy involves direction on needed military officer skill sets, DOD's objectives in its defense relations with Pakistan, intelligence collection priorities, or an initiative for improving legislative relations, it must be driven by and aligned with the strategy.
- **Plans.** Which adversaries are of greatest concern and how should we plan to counter them in a crisis? Security cooperation, operational plans, and contingency plans are all derived from strategy.
- **Force employment.** Should the United States maintain its presence in Bosnia? How effective are current maritime intercept operations at preventing the possible movement of weapons of mass destruction into the United States? The decision to begin or end a given operation and the conduct of that operation are heavily influenced by strategy.
- **Force development.** Which is the best joint tactical radio system in which to invest? Should DOD shift the emphasis of its general purpose ground forces toward the conduct of stabilization and reconstruction operations? From the micro to macro levels, mid-term and long-term capability and program choice lies at the heart of strategy implementation.
- **Force management.** Which operation or regional command should receive priority in assigning limited intelligence, surveillance, and reconnaissance assets? What is the appropriate steady-state naval presence in the Indian Ocean? Force management direction is naturally derived from strategic direction.
- **Program and budget.** Is the near- and mid-term defense resource approach aligned with the defense strategy? Too frequently program and budget investment are the only metrics by which defense strategy execution is gauged. It should not be the sole measure of strategy translation, but it is one of the most critical.

Assess

Strategy development and execution should never be fire-and-forget activities. Although its foundational tenets may be constant, strategy cannot succeed unless it is constantly adjusting to environmental stimuli. Adjustment relies on feedback. Strategy processes must provide ample and timely means for injecting customer and other stakeholder input, execution data, new trend or wild-card assessments, or lessons learned analyses to allow for timely and effective adaptation. Improving assessment is the subject of chapter 4, "Furthering Capabilities-Based Approaches."

Proposed Reforms

The BG-N study team examined a range of options to bring DOD's strategic direction processes in line with the above criteria. As with its overall governance approach, for which strategic direction is critical, its recommendations include quadrennial, annual, and quarterly strategy improvements:

- **Quadrennial.** Despite its many pitfalls, the Quadrennial Defense Review process is a tool the secretary of defense can and should exploit to promulgate the administration’s defense agenda. Congress and the secretary could benefit from changes in the QDR legislation that encourage a routine, broad, and competitive debate about defense priorities. Both would likewise benefit from nesting the QDR within a broader Quadrennial National Security Review (QNSR) conducted under the president’s guidance.
- **Annual.** A renaissance in joint capability portfolio analysis and an emphasis on detailed, execution-oriented guidance form the heart of the BG-N study team’s recommendations for improving annual (or biennial) strategic direction. Fundamentally, the current approach to annual (and biennial) strategy development must be reversed. Whereas today the department first develops its broad statements of strategic direction, such as the *National Security Strategy*, *National Defense Strategy*, and *National Military Strategy*, and subsequently derives its detailed guidance from these, it should instead focus its energy on developing a full and frank description of strategy-connecting ends, ways, and means—with its eye toward execution. It would then provide strategy “glossies” as offshoots of these more direct and detailed internal documents.
- **Quarterly.** An unused strategy is an irrelevant strategy. Providing strategic guidance is the secretary of defense’s core governance function—a job that should begin with setting the agenda for systematic governance forums and processes. The secretary of defense should focus each quarterly review on the statement or confirmation of his highest priorities and on focusing his senior advisers on the execution and continual assessment of actions undertaken to achieve those priorities.

These improvements are highly interdependent, with improvements to the annual process particularly critical for improving the utility of the quadrennial and quarterly processes.

Quadrennial

The QDR concept has its origins in the early post–Cold War period. Rapid evolution of the geostrategic environment led to periodic reappraisals of defense strategy and plans. The 1991 Base Force and Base Force II analyses, conducted by chairman of the Joint Chiefs of Staff General Colin Powell and approved by Secretary of Defense Richard Cheney, was followed by Secretary of Defense Les Aspin’s 1993 Bottom-Up Review. Congress saw potential in these reviews and passed legislation to both shape their content and institutionalize their conduct. The 1997, 2001, and 2007 Quadrennial Defense Reviews followed the legislation’s passage, the first completed in a period of “strategic opportunity,”¹ the second released within weeks of the September 11, 2001, attacks, and the last undertaken in the midst of U.S. military operations in Iraq and Afghanistan.

Since the Bottom-Up Review, the QDR has followed a cyclical process pattern. The first QDR of both the newly elected Clinton and George W. Bush administrations was conducted by a relatively small group of political and military advisers. The outcry resulting from this relatively closed approach and the senior civilian leadership’s increased comfort at working side-by-side with the military resulted in much more inclusive second-term QDRs, involving many hundreds of full-time civilian and military personnel across the defense enterprise. Both types of processes have their advantages, a fact that will perhaps result in the department always swinging from one green pasture to the other, at least in two-term administrations.

1. 1997 *Quadrennial Defense Review Report*, p. 3.

The success of the QDR construct today is mixed at best. On the negative side, Congress is concerned about the QDR's failure to fulfill its principal mandate—describing the anticipated security environment and connecting ends to ways and means—and secretaries of defense have generally failed to use the QDR to effect significant transformation of the armed forces. Given these failings, the investment in conducting a QDR can often seem too high for the output generated.

Congressional staff relayed to the BG-N study team their disappointment in the department's failure to abide by the requirements of the enacting legislation. Among the statutory requirements that DOD seldom addresses are: assessing the role of the Coast Guard, ratios of combat forces to support forces, and proposed revisions to the Unified Command Plan, which establish geographic and functional responsibilities for combatant commanders.² Hill staff also stated their belief that QDRs have become increasingly irrelevant to members' deliberations over defense issues. DOD's connectivity between QDR concepts and requested budgets and programs is often unclear to these interviewees.

A desire for change has been at the heart of every QDR effort to date. Yet expectations that a QDR will result in substantial change have not been met. Much of this failure is due to the organizational dynamics within DOD and the political dynamics among the services, the defense industry, and members of Congress. The QDR has become a pitched battle between well-staffed service QDR organizations, which year in and year out extensively prepare for the next QDR, and the institutionally handicapped OSD, which has relatively limited capacity and more disruptive, routine turnover in both its leaders and agenda. The chairman of the Joint Chiefs of Staff is uniquely positioned to play a key role through periods of political transition, but he is disadvantaged by a staff whose members' promotions are largely determined by their parent services and an analytic capacity that, like OSD, is overwhelmed by that of the services.³ The chairman is also rightly constrained by his role as the military adviser to the nation's civilian leadership, which ultimately must steer America's national security course. These institutional obstacles to change, together with the strong linkages that exist among subcomponents of DOD, primarily the services, Congress, and defense industry, tend to result in a status quo-friendly defense program that does not match the strategic environment or even the department's own statement of objectives.

The QDR can entail tremendous opportunity costs. If the time spent in conducting the QDR is not focused on mission-critical issues, its effort can far exceed the benefits of the intellectual exercise. The 2006 QDR, for example, put aside discussion of U.S. strategy in Iraq and Afghanistan in order to examine the more distant future. By so doing, the QDR relinquished an opportunity to generate potential solutions to problems of importance to national security. This greatly contributed to the lack of interest on Capitol Hill or in the defense intellectual community for the 2006 QDR and led many interviewees involved in the process to question the investment of hundreds of hours in senior meetings.

Despite these several drawbacks in the QDR experience to date, the BG-N study team concluded that the intent of the QDR requirement is sensible and should be built upon instead of discarded. In many ways the QDR concept is synonymous with good governance, and the advantages of the latter, described in the preceding chapter, accrue to a well-orchestrated QDR. These include generating a unified leadership vision of the future and driving key changes associated with that vision in order to fulfill the four-year defense agenda of the president and secretary of defense. Moreover, in interviews with the BG-N study team, congressional staff made clear that members

2. U.S. Code Title 10, Subtitle A, Part I, Chapter 2, Section 118.

3. This discrepancy in analytic capacity is especially problematic because, unlike the services, OSD, the Joint Staff, and other members of the joint community have the mandate to look across the breadth of the defense program as the QDR requires.

are unwilling to repeal the QDR requirement, despite their disappointment with its results to date. The BG-N study team therefore focused on ways to amend the QDR legislation and improve internal DOD processes to improve the QDR's chances of success.

For a defense review of any form to be a success, it must be nested within a broader national security context. National security is a highly interdependent enterprise, relying on a wide range of national capabilities that directly and indirectly contribute to America's "smart power."⁴ Defense strategy and capabilities are important to smart power, but they are only one element in a complex national and homeland security system. Thus, the BG-N study team reiterates the imperative put forth in the *Beyond Goldwater-Nichols Phase 2 Report* and stated as far back as the 1995 *Commission on Roles and Missions Report* that the United States needs a Quadrennial National Security Review, or QNSR, as a means to balance capabilities and budgets across all instruments of national power.⁵ Just as the Bottom-Up Review was an executive branch initiative, which Congress eventually adopted and shaped into the QDR, the next president and his national security adviser should conduct a QNSR even absent legislation requiring such a review.⁶ The QNSR may initially need to draw heavily on DOD's expertise, but in so doing the review process would create incentives to grow strategy and planning expertise elsewhere in the U.S. government.

Even with a QNSR, the secretary of defense will need to establish a vision and a four-year road map to achieve the administration's defense goals. He also will need to sell that vision to DOD's stakeholders, especially Congress. The secretary of defense should use the QDR as a vehicle for achieving these ends. The BG-N study team concluded that the QDR should continue to be published every four years, even in the case of a returning president. As key interviewees pointed out, administrations never operate on the assumption of eight-year presidential terms, and their governance schemes, including the QDR, must likewise assume and implement a four-year plan. The particular process for conducting the QDR should be left to each secretary to determine, drawing on lessons learned from past efforts and the peculiarities of the environment.

The greatest challenge to creating an effective QDR is improving the review's odds of advancing major changes in defense strategy, capabilities, and resourcing. Better annual and quarterly strategic direction processes, addressed below, will greatly alleviate the pitched-battle nature of the QDR. If major trade-offs and threats to the status quo are routinely considered, rather than deferred to the QDR, the quadrennial effort itself can more successfully focus on a reflective assessment of key defense policy factors and on communicating the secretary's agenda and execution road maps to key stakeholders. Further, stronger joint analytic tools and processes, discussed in the next chapter, will promote successful quarterly, annual, and quadrennial governance. Congress needs to be aware of the value these routinized improvements provide toward meeting the QDR's legislative intent.

Alone, these internal governance reforms are unlikely to generate the necessary momentum for substantial change. The forces of particularized resistance are simply too powerful. The secretary of defense and Congress would thus benefit from a broad national debate about the defense agenda that informs their efforts and creates support for their ideas. The BG-N study team believes that Congress should pilot a one-time set of competitive major defense analyses prior to the next

4. Smart power refers to the effective integration of soft and hard power instruments of U.S. leadership. For more information on the CSIS Commission on Smart Power, visit www.csis.org/smartpower.

5. The QNSR must address homeland security as an integral component of national security.

6. The lack of a legislative mandate to conduct a QNSR reflects the stovepiped nature of the congressional committee structure. Congressional staff seem unsure under whose jurisdiction such cross-cutting legislation would fall and concerned about the potential power that any single standing national or homeland security-related committee could wield to veto or amend its provisions.

QDR. Legislation could require a diverse range of external institutions, or congressionally created teams of experts under the Federal Advisory Committee Act, to produce independent recommendations on defense policy, strategy, current and future capabilities, and enterprise management issues.

These groups would operate separately from one other over a six-month period, concluding their activity after the 2008 presidential election but prior to the January 2009 inauguration. These groups would not be equipped to provide detailed force structure and capability analysis. Rather, they should focus on framing major defense issues for the next QDR. Their written recommendations would then be provided to Congress and the incoming administration, with the intent of creating constituencies for the good ideas embedded within them. After submission of the 2010 QDR, Congress and the executive branch should evaluate the effort and consider whether to repeat or institutionalize it.

Congress should also eliminate much of the detail required in the standing QDR legislation. QDRs should reflect the strategic realities of their times, as well as projections of future circumstance. Relevant factors, such as spending constraints, technological transformations, operational requirements, and society's view of the armed forces, are ever changing, and which is most critical at any given time is unpredictable. The current QDR legislation is highly prescriptive about the review's content and focus. As such, it does not allow for ongoing interpretation of strategy needs. Using the 2006 QDR as an example, it is conceivable that a secretary of defense overseeing a well-orchestrated annual and quarterly governance process could have used the QDR to engage key leadership directly about the nature of the global war on terror and the successful conduct of ongoing operations rather than focus on future challenges. Congress should welcome such innovative uses of the QDR.

Annual

DOD's governance rhythm is largely set by the need to submit a yearly budget request. The most important governance contribution that the secretary can make to this annual process is to provide focused and execution-oriented strategic direction. Direction is focused when it hews to a select set of key priorities. It is execution-oriented when it can be translated into concrete policy, capability, and program decisions. Much of the recent guidance that has been produced in the Defense Department, including that shaped by members of the BG-N study team during their tenures there, fails to meet these two criteria.

The secretary should focus his annual strategic direction efforts on creating a singular, overarching selective guidance document issued to all DOD components. This defense guidance must address how key priorities should be translated through the many streams of Defense Department activity, from regional, functional, and global defense policy and strategy to operations, from force management and force development to business operations. It must explicitly address trade-offs between near-, mid-, and long-term requirements and reflect the secretary's preferred balance across mission areas or portfolios. The guidance should include the macro performance measures that the secretary wants his staff to track through the quarterly governance process. The defense guidance must stand above and inform all other routine guidance in the department; it cannot compete with other secretary of defense-signed documents developed in the multiple Tier 2 governance processes.⁷ In the first year of an administration, the defense guidance can set the terms for the QDR. In the second year, the document could codify and further detail QDR deci-

7. As discussed in chapter 1, the key Tier 2 governance processes are program and resource, force development, force management, force employment, and business operations.

sions. In subsequent years, the defense guidance could record major shifts in emphasis or, in years of minimal change, be released as a note to holders reaffirming basic principles and providing new guidance in discrete areas of change. It can also be translated into an unclassified and post-decision guidance document suitable for dissemination to a wide range of stakeholders, including interagency partners and Congress.⁸

Two derivative annual guidance documents should flow from the defense guidance. First is annual planning guidance to drive mid-term (five to six years) and long-term (10 to 15 years) processes. Most notable among these are force development and program evaluation. Second is annual planning guidance to drive near-term processes and priorities (one to two years). This guidance primarily affects budget development, force employment, and force management although these latter two issues can also be the subject of mid- and long-term guidance. Like the overarching defense guidance, these two derivative documents must be execution oriented, measurement friendly, and focused. They must provide DOD components with clear guidance on where to accept risk. In years of inconsequential change, document updates could be provided via notes to holders. The department could even investigate Web-based living-document constructs for their publication.

Issuing these consolidated near- and mid- to long-term guidance documents could significantly reduce the current Balkanization of strategic direction produced under the secretary's or president's signature.⁹ The Office of the Under Secretary of Defense for Policy is currently instituting several changes to improve annual and biennial strategic direction, including a like-minded consolidation of near- and mid- to long-term planning guidance. The BG-N study team supports these efforts to simplify and focus the annual guidance process. So far, however, DOD is not creating a singular foundational document like the recommended defense guidance on which to base all subsequent guidance. The study team believes such an overarching document is needed to frame and unify subsequent guidance and, importantly, to balance risk over time.

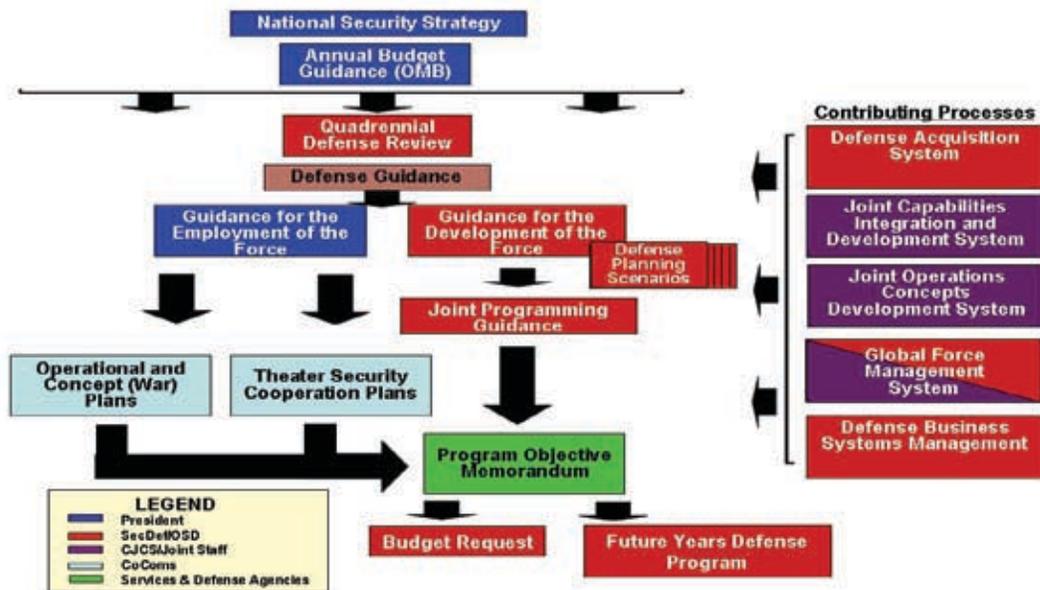
The *National Defense Strategy* (NDS) and *National Military Strategy* (NMS) constitute another useful tool set for the secretary of defense and the chairman of the Joint Chiefs of Staff. Too often, however, the sweeping objectives resident in these glossy documents have substituted for hard capabilities analysis and difficult trade-offs among competing defense priorities. The NDS and NMS are a means for the secretary of defense and the chairman, respectively, to convey their vision to a broad audience, particularly overseas. They should be retained for the value they provide in doing so, but they should be seen more as a communication mechanism than as the premier product of strategic debate and decision within the department or the U.S. government. Accordingly, the focus of the strategy community should shift from the creation of these documents to the development of the QDR, the annual defense guidance, and more detailed near- and mid- to long-term offspring. How these latter documents are then translated into public statements of strategy is a subject for both strategists and public affairs.

To better reflect its reduced importance, the requirement for the chairman of the Joint Chiefs of Staff to produce the NMS should be eliminated from Title 10. In interviews, congressional staff

8. The secretary of defense's *Annual Report to the President and Congress*, last produced in 2005 despite a statutory requirement for annual publication, is a possible venue for translating the defense guidance in an unclassified form, as is the QDR. Posture statements to Congress from OSD, combatant commands, and service officials should explicitly report progress toward achieving secretary of defense-identified priorities.

9. They could not ably eliminate all others, however. The Unified Command Plan, for example, is still best produced as a stand-alone document. Like the concept for a QNSR, the Unified Command Plan (UCP) could even be adapted into direction for a whole-of-government roles, missions, and structures approach. A National Security Planning Guidance, advocated in both CSIS's BG-N Phase 2 Report and DOD's 2006 QDR Report, could serve this UCP-like function for the government.

Figure 3.2. Proposed Revisions to DOD Strategic Direction



indicated that the NMS was intended to provide an independent perspective by the chairman of the Joint Chiefs of Staff on executing key strategic mandates. In point of fact, the NMS and the nonlegislated NDS are developed together to ensure strategic coherence and therefore produce little daylight between them by design. The publication of the NMS should thus be an internal decision made on an as-needed basis. The chairman’s annual risk assessment, in contrast, has proven a vehicle for highlighting potential sources of tension between ends and ways and means. Congress should thus direct the chairman of the Joint Chiefs of Staff to provide his annual risk assessment on the military aspects of implementing the defense guidance. The secretary of defense should be provided an opportunity to comment on this assessment after its submission. Figure 3.2 illustrates the recommended amendments to strategic guidance.

Quarterly

The secretary of defense must be able to create a shared vision and associated strategy for achieving his goals. The QDR and annual guidance processes are critical to his success in doing so. Their utility, in turn, depends on his establishing continual forward momentum and regularly reassessing linkages among ends, ways, and means. Quarterly gatherings of the secretary’s governance team and key stakeholders can be instrumental in achieving these ends. The Defense Senior Leaders’ Conference regularly brings together staff, line, provider, and customer principals for two to three days of discussion. A secretary can take advantage of this gathering, but good governance will require transforming its current use.

First, the secretary of defense must take ownership of governance. Governance is not simply “corporate management,” to be delegated to a corporate management officer. Rather, governance is about effectively generating outcomes. The secretary must explicitly focus the agenda for these relatively rare quarterly meetings on his key priorities in the six governance issue areas, from fram-

The output of strategic planning has traditionally been—as one might expect—a strategic plan. The outputs of continuous strategy development are quite different. Under a continuous approach, “strategy” isn’t a plan, it is a direction for the company and an agenda of issues and opportunities to drive change in that direction.

Michael C. Mankins, “Making Strategic Planning Matter,” <http://www.marakonassociates.com>

ing or making key decisions to ensuring execution of those decisions and evaluating associated performance. Such leadership would provide significant incentive for the governance team.

The secretary’s senior team should see the seriousness with which the secretary views his meetings, which would provide significant incentives to performing accordingly.

Second, there must be routine means for the department’s external stakeholders to provide input to the governance process. There are certainly some issues on which the secretary of defense will want to limit discussion to DOD leadership. Nevertheless, the systematic involvement of external stakeholders could substantially improve the secretary’s chances for success. Each quarterly meeting should provide at least one opportunity to hear from or communicate to an external community. The 2006 QDR took a step in this direction by occasionally inviting senior representatives from coalition nations, the National Security Council staff, and the Department of Homeland Security to discussions. These efforts should be built upon,

with the next major leap focusing on ways to involve congressional stakeholders without upending executive branch prerogatives.

Third, the secretary needs to hold his principal advisers accountable for their respective roles in advancing his agenda. The secretary’s own investment of time and energy in governance will go far in creating the necessary incentives to meet his expectations. Military or civilian, senior leaders serve at the president’s pleasure. If job security proves insufficiently motivating, the secretary’s use of the decision-execution-assessment system to affect budget shares, aligning them with his defense agenda, is a powerful good-governance inducement. This behavior modification tool is time proven, if too seldom employed.

Establishing Priorities: First-Quarter Governance

The BG-N study team believes that the secretary should begin (or, with the exception of the first year, end) each year with a quarterly meeting focused on achieving a common vision and understanding among the governance team members.¹⁰ An illustrative agenda for this kickoff meeting is provided in figure 3.3. At this meeting, the secretary would convey his values and vision and

10. At the beginning of a new administration, this meeting might instead take place in the second quarter, when the secretary’s team is starting to take shape and his understanding of the department’s and his mandate from the president is better defined. In subsequent years, it may not be needed at all, depending on the volatility of strategic factors.

Figure 3.3. Notional Kickoff Quarterly Leadership Agenda

<p>Day 1: Reaching common understanding</p> <ul style="list-style-type: none">▪ Who are we?▪ What do I (secretary of defense) want us (the Department of Defense) to accomplish?▪ What is expected of us?<ul style="list-style-type: none">▫ Presidential direction▫ Constitution and authorities considerations▪ Organizational status report <p>Day 2: Scanning the horizon</p> <ul style="list-style-type: none">▪ International and domestic security environment trends▪ Fiscal projections▪ Technology projections▪ Potential shocks and their ramifications <p>Day 3: Setting priorities</p> <ul style="list-style-type: none">▪ Priorities-to-capabilities exercise
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Note: May only be needed quadrennially.

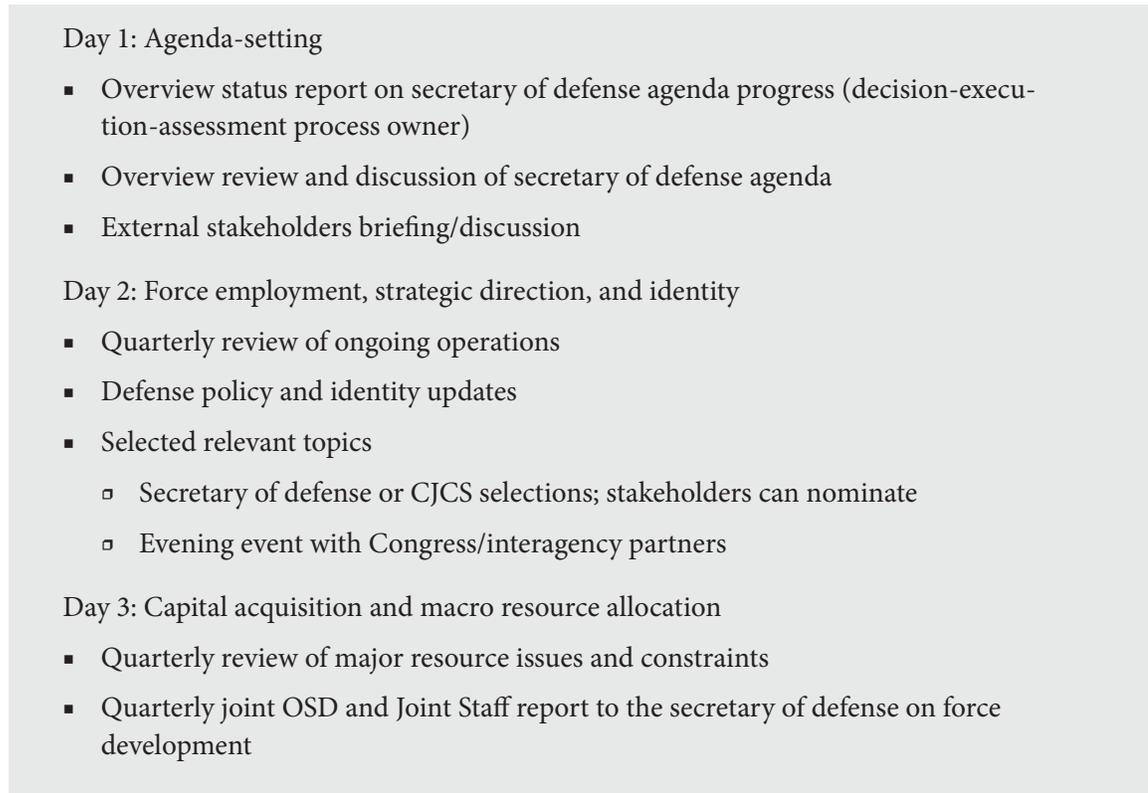
clarify his expectations for the team, his year or tenure, and the department as a whole. Team members, in turn, would apprise the secretary of their organization's key accomplishments and challenges vis-à-vis the secretary's stated goals. At the beginning of a new administration, this appraisal would likely be cursory, but at a minimum it would raise to the secretary early-warning signs of potential problem areas or mitigate unfounded concerns about the organization's health.

The first quarterly meeting should also allow the governance team to "scan the horizon." The secretary and his advisers must examine the fiscal, geopolitical, technological, and operational challenges and opportunities they face, relying on a mix of nongovernmental and governmental data and briefings. This effort draws principals away from their in-baskets, even if temporarily, to focus on the mid term and long term. It also affords an excellent opportunity for external stakeholders to participate in the governance process, creating potential buy-in for the secretary's agenda at little cost to the department's prerogatives. Chapter 8 recommends the creation of a Futures Group comprising key advisers to frame this annual discussion.

A clear, prioritized agenda for the secretary must result from this first quarterly meeting—if it does not already exist—in order for the decision-execution-assessment system to fully realize the secretary's strategic priorities. Yet, effective means for identifying and prioritizing key priorities have largely eluded senior officials.¹¹ The BG-N 4 study team is developing a one-day, senior-leadership-workshop approach that seeks to fill this "front-end guidance." CSIS plans to test its proposed prioritization approach in spring 2008, using former senior defense officials as participants. Regardless of the outcome of the CSIS experiment, the first quarterly meeting should conclude with the secretary and his team of senior-level officials understanding what their key priorities are. Spending one day of governance time to achieve this goal is a small price to pay for specificity on

11. Senior civilian defense officials asked CSIS to propose such a scheme because of its absence to date.

Figure 3.4. Notional Routine Quarterly Leadership Agenda



priorities, including where to accept greater risk. Without a common view of the department's key priorities and focus, it is difficult to hold DOD key leaders accountable for implementation.

Executing and Assessing Priorities: Second- through Fourth-Quarter Governance

A strong first-quarter meeting should shape subsequent quarterly meetings, as the secretary drives to produce his deliverables on the Washington clock. In subsequent quarters, the secretary can receive interim progress reports on how well components are achieving key priorities, receive input from key external stakeholders on governance-related issues of mutual interest, and review major issues for decision, implementation oversight, or assessment in the six governance issue areas. Figure 3.4 provides a notational agenda for these regular quarterly meetings. Its key attributes are the inclusion of opportunities for external stakeholder input, accountability of senior subordinates for tracking and reporting progress on key priorities, the central role of a decision-execution-assessment system process owner (discussed further in chapter 6), the balancing of internal stakeholder inputs—providers and customers, line and staff—and the balancing and linking of near- and long-term priorities.

Key Recommendations

- Congress should create a Quadrennial National Security Review as a means to balance capabilities and budgets across all instruments of national power.
- Congress should pilot a competitive analysis precursor to the next QDR.
- Congress should eliminate much of the detail in the standing QDR law.
- The secretary of defense should prepare and distribute to DOD components a singular, overarching selective guidance document that would address how key priorities should be translated through the many streams of Defense Department activity.
- DOD should continue its efforts to consolidate existing guidance into two follow-on documents:—(1) annual planning guidance to drive mid-term (five to six years) and long-term (10 to 15 years) processes and (2) annual planning guidance to drive near-term processes and priorities (one to two years).
- The secretary of defense should use the quarterly meeting process to assess and drive his highest priorities and to provide opportunities for external stakeholder input.
- The secretary's principal advisers should be held accountable for their respective roles in advancing his agenda.
- To better reflect its reduced importance, the requirement for the chairman of the Joint Chiefs of Staff to produce the NMS should be eliminated from Title 10.
- Congress should direct the chairman of the Joint Chiefs of Staff to provide his annual risk assessment on the military aspects of implementing the defense guidance. The secretary of defense should be provided an opportunity to comment on this assessment after its submission.

4

FURTHERING CAPABILITIES-BASED APPROACHES

Capabilities-Based Approaches and Portfolio Management Defined

For defense planners, capabilities-based approaches hark back to the original intent of the Planning, Programming, and Budgeting System instituted in the 1960s by Defense Secretary Robert McNamara, in which the goal was to select the right combination of inputs to achieve desired systemwide outcomes.¹ Capabilities-based approaches, under a variety of names and in various contexts, are widely used in business and in government.² Although there is no overarching capabilities-based framework within DOD, the term capabilities-based planning (CBP) is often used to encompass several key processes: strategic guidance, the analytic agenda, joint concept development and experimentation, the Joint Capabilities Integration and Development System (JCIDS), the DOD acquisition process, and PPBE. In each of these areas, the Department of Defense is undertaking efforts to improve alignment of plans, programs, and budgets with strategy. The common theme that identifies them as CBP is their emphasis on assessing the defense program according to the needs of the current and future joint force.

Analyzing military capabilities by mission area is usually referred to as mission area analysis or capability portfolio assessment. Portfolio analysis is a common approach in business, wherein strategic business units, often segments of a large corporation, are evaluated by the corporation for their relative investment worth.³ As with the original PPBE concept, portfolio assessment in a DOD context is a capabilities-based approach that seeks to measure the value of investments, grouped according to their common function or mission, by their contribution to meeting the needs of the department's customers—the president of the United States and the current and future joint warfighter.⁴

1. Robert McNab, "Haven't We Been Here Before? The Road to CBP," *Defense Resources Management Institute Newsletter*, No. 10, November 2004, p. 1.

2. Portions of this section are adapted from Kathleen Hicks and Eric Ridge, *Planning for Stability Operations: The Use of Capabilities-Based Approaches* (Washington, D.C.: CSIS, December 2007).

3. There is a rich literature on business portfolio analysis. Good overviews can be found in: Yoram Wind and Vijay Mahajan, "Designing Product and Business Portfolios," *Harvard Business Review*, January 1981, p. 155; Richard G. Hamermesh, "Making Planning Strategic," *Harvard Business Review*, July–August 1986, p. 115; Robert M. Grant, *Contemporary Strategy Analysis: Concepts, Techniques, and Applications* (Malden, Mass.: Blackwell Publishing, 2005).

4. For a description of potential defense applications, see the Government Accountability Office, *Best Practices: An Integrated Portfolio Management to Weapon System Investments Could Improve DoD's Acquisition Outcomes*, GAO-07-388 (Washington, D.C.: GAO, March 2007).

Current Approach and Challenges

Since the 2001 QDR, the Office of the Secretary of Defense and the Joint Staff have attempted to implement CBP through a variety of processes and plans. Their efforts are not guided by any official direction to the department on capabilities-based planning or its elements. There are likewise no designated institutional advocates for defining, explaining, or ensuring the promotion of CBP.⁵

The 2001 QDR introduced the concept of CBP—which the BG-N study team considers a key capabilities-based approach—to a wide defense audience. A first-order obstacle to a viable CBP framework is the lack of a commonly understood CBP definition and the corollary conflation of all capabilities-based approaches under the CBP rubric. The 2001 QDR describes the capabilities-based model as “one that focuses more on how an adversary might fight than who the adversary might be and where a war might occur.”⁶ Yet it notes:

A capabilities-based model . . . requires identifying capabilities that U.S. military forces will need to deter and defeat adversaries who will rely on surprise, deception, and asymmetric warfare to achieve their objectives. Moving to a capabilities-based force also requires the United States to focus on emerging opportunities that certain capabilities, including advanced remote sensing, long-range precision strike, transformed maneuver, and expeditionary forces and systems, to overcome anti-access and area denial threats, can confer on the U.S. military over time.⁷

In describing CBP in these divergent, contradictory, broad, and all-encompassing ways, the 2001 QDR raised more questions than answers. In DOD today, CBP is still used to describe two different kinds of analyses: those that define the environment in which the United States must operate (challenges) and, like capability portfolio assessment, those that define its requisite capabilities (needs). The conflation of these “red” and “blue” definitions, respectively, has created significant confusion over capabilities-based approaches. Adding to the confusion is 2001 QDR language contrasting CBP with so-called threat-based planning.

Many interpreted this attempted dichotomy to mean that capabilities-based approaches should not rely on actual threat projections. This is hardly the case, as successful capabilities-based approaches must integrate real threat assessment and well-reasoned conceptual scenarios. Nevertheless, the confusion resulted in initial senior-level resistance to the use of threat information in analysis and, later, institutional backlash to CBP on the assumption that it was disconnected from anticipated adversaries. Efforts to implement CBP continue to suffer from these differing yet similarly destructive perceptions.

The lack of powerful capabilities-based joint analytic tools and resources is a second substantial obstacle to effective use of capabilities-based approaches. Since 2004, the Office of the Under Secretary of Defense for Policy, Office of the Director for Program Analysis and Evaluation, and Office of the Director, Joint Staff J-8 have sporadically attempted to work together to promote funding for and attention to the department’s joint “analytic agenda.” The analytic agenda aims to improve operational (management and work) and governance decisionmaking by “develop-

5. The authors of the 2006-2011 Strategic Planning Guidance tasked the policy organization in 2003 with developing a DOD-wide concept and framework for capabilities-based planning. Policy received \$2 million annually over several years for this effort, but the staff time and resources were instead diverted to preparing and conducting the 2005 QDR. Today, the Joint Staff Force Structure, Resources, and Assessment Directorate, J-8, is perhaps the most active DOD advocate for capabilities-based planning.

6. Department of Defense, *Quadrennial Defense Review Report*, September 30, 2001, p. 14.

7. *Ibid.*

ing more and higher quality analytic data sets, by improving the tools used to represent modern combat, and by increasing awareness of each other's study activities."⁸ Among the analytic agenda community's goals are:

- Creation of common, transparent analytic data sets to be used by all DOD components.
- Joint standards for analytic modeling and simulation and other tools used to assess military capabilities.
- Greater investment in and speedier development of tools that can assess nonkinetic aspects of modern warfare, including intelligence, surveillance and reconnaissance, strategic communications, and post-conflict tasks.

Although dedicated efforts by the heads of the analytic agenda's constituent organizations has, over time, paid off, the analytic issue set has yet to galvanize the department's top leadership. Funding remains modest and was largely sidetracked to support QDR consultancies and analysis during much of 2005 and 2006.

A third barrier to implementing capabilities-based approaches is the inconsistent use of time horizons across contributing analytic processes. A recent study by the Institute for Defense Analysis highlighted this failure.⁹ Although it is common in DOD's planning culture to think in near-, mid-, and long-term time frames, the actual blocks of time attributed to each can vary by organization and process. For example, the PPBE system uses an alternating five and six-year Future Years Defense Program (FYDP) to define the mid term, but the 2003 Transformation Planning Guidance defines the mid term as "just beyond the FYDP."¹⁰ Disconnects such as these, multiplied many times across the complex web of defense governance and management processes, make it difficult to rationalize the connectivity of ends, ways, and means.

DOD's current approach to using capability portfolios is a fourth challenge area for effective capabilities assessment. DOD should be applauded for beginning to incorporate portfolio assessment into its governance and management constructs. The vice chairman of the Joint Chiefs of Staff currently oversees a series of Functional Capability Boards (FCBs). These FCBs support the work of the Joint Requirements Oversight Council (JROC) by assessing requirements and programs within a series of portfolios, called functional capability areas. In addition, as an outgrowth of the 2005 QDR, the deputy secretary of defense is experimenting with the use of four capability portfolio managers in the PPBE process. Each manager oversees a high-priority joint capability area in which services have historically underinvested.¹¹ Deputy Secretary Gordon England has directed these capability portfolio managers to undertake the following:

- Develop and present a Capability Portfolio Strategic Plan that defines portfolio strategic objectives, projected capability mix, dependencies with other capability portfolios, performance metrics, and actions including needed analysis to meet objectives and mitigate risk. These plans

8. "US Department of Defense: The Analytic Agenda," ODP&E presentation to Defense Analysis Seminar XII, Military Operational Research Society (MORS), April 2004, slide 4. <http://www.mors.org/meetings/cbp/read/AA-Korean-Presentation-Early-Apr.pdf>.

9. John T. Hanley Jr., et al., "Improving Integration of Department of Defense Processes for Capabilities Development Planning," IDA Paper P-4154, September 2006; see especially pages 2-4 and 2-6.

10. Department of Defense, "Transformation Planning Guidance," April 2003, p. 15. This example is drawn from Hanley, et al., "Improving Integration."

11. The department currently has the following capability portfolio managers: Joint Command and Control (combatant commander, U.S. Joint Forces Command); Joint Net-Centric Operations (assistant secretary of defense, networks, information, and infrastructure); Battlespace Awareness (under secretary of defense, intelligence); and logistics (director, Joint Staff J-4).

will address how changes through fiscal year 2009 and beyond will be developed and proposed to better align resources to the capability portfolio strategic plan.

- Develop an independent portfolio assessment of the FY 2009–2013 program to ensure alignment with the department’s strategic goals as articulated by the Capability Portfolio Strategic Plan.
- Assist the under secretary of defense for policy in developing FY 2010–2015 planning guidance.
- Work with the FCBs to identify and validate capability needs and solution identification.
- Monitor implementation of existing programs from a “system of systems” perspective.¹²

To date, however, the efforts of the department’s four capability portfolio managers have borne little tangible fruit. The forthcoming FY 2010–2015 PPBE cycle offers another opportunity to evaluate the effectiveness of the capability portfolio manager, or CPM, model.

Criteria

In a 2006 study, analysts from the Institute for Defense Analyses argued that effective capabilities-based planning facilitates answering the following questions:

1. What do military forces need to be prepared to do? When?
2. Are the capabilities that will be available adequate and balanced?
3. What are the priority issues requiring greater effort?
4. What are the priority capability gaps within these issues?
5. How should the priority capability gaps be addressed?
6. What programs can be decremented to fund higher-priority capability gaps?
7. What affordable mix of programs will provide sufficient capability at acceptable risk?
8. Is the system executing the decisions that were made?¹³

The BG-N study team adopted this criteria set for use in evaluating the department’s capabilities-based approaches and potential reforms to it.

Proposed Reforms

For the decision-execution-assessment cycle to function best, the secretary of defense requires a commonly understood capabilities-based approach to governance. The inadequate and even misleading 2001 QDR explanations of CBP should be replaced with a clear CBP definition and an understanding of the broader capabilities-based approach. The department should focus on ensuring capabilities-based approaches are incorporated throughout the defense enterprise, the precise form of which—assessments of “red,” capabilities-based planning for “blue,” or other meanings—will vary by context. Specifically, the next secretary of defense should quickly develop and publish a memorandum or directive that defines the meanings and uses of capabilities-based approaches, of which blue CBP is a cornerstone, throughout the department. The secretary’s direction should

12. Deputy Secretary of Defense Gordon England, “Institutional Reform and Governance Actions to Critical Path,” Memorandum to DOD Components, March 15, 2007, pp. 4–5.

13. Hanley, et al., “Improving Integration,” pp. 2-2 and 4-1.

make clear that capabilities-based approaches rely on timely and valid assessments of threats, opportunities, and challenges, but that they do so across a broad sweep of potential operational environments. The BG-N study team recommends defining capabilities-based planning as an approach to managing uncertainty, in a resource-constrained and uncertain environment, through a mix of capabilities best suited to the range of operational needs.¹⁴

Capabilities-based approaches are the linchpin for rationalizing the connection between desired ends and the department's planned ways and means to achieve them. Given their importance, development of a range of capabilities-based approaches should be among the secretary of defense's highest priorities in fulfilling the governance mandate of effective corporate decision-making. The secretary should direct the analytic agenda community to propose an investment plan for substantially increasing joint analytic capabilities. This investment, which could easily total more than \$20 million per year, should seek to improve analytic models, increase expertise, improve training, advance data transparency, speed joint analytic response time, and create any other tools needed to actualize capabilities-based approaches. The BG-N study team believes at least some of the investment in joint capabilities should be drawn from the analytic budgets of individual DOD components. The secretary of defense would also benefit from a dedicated manager to oversee the enterprise-wide adoption of capabilities-based approaches. The proposal for a director for strategy, execution, and assessment, raised in chapter 6, would serve this function.

In addition to these overarching recommendations, the BG-N study team proposes several reforms tailored to specific planning time frames.

Near-term Capabilities-Based Approaches

DOD's near-term planning is driven by the immediate operational and theater-strategic needs of the combatant commands. These needs range from military-to-military security cooperation with partner nations to capabilities required for active deterrence or immediate response, including the conduct of large-scale theater war. DOD components, and especially the combatant commanders, need better and standardized processes and tools for linking their operational plans to available resources. The BG-N study team recommends three priority reforms.

First, customers must express their operational needs in terms of capabilities rather than platforms. Customers and providers can then assess the range of potential tactics, techniques, and procedures solutions to meet those needs, determining which are optimal. This translation from capability need to solution is the centerpiece of capabilities-based planning. Today, many components do not even attempt to think in terms of generic capabilities, preferring to state their needs in terms of specific solutions. For those that do, there is no uniform approach. Some experiments in this area are promising, and DOD should seek to develop lessons learned from these.¹⁵

Second, the reach of the Global Force Management Board (GFMB) should be expanded. The GFMB, established during Secretary Rumsfeld's tenure, is the secretary of defense's primary tool for managing military forces around the globe. Under the global force management model, no forces are "owned" by particular combatant commanders. Rather, all forces are prioritized for use and examined for readiness and availability in particular missions at particular times. It is the GFMB that advises the secretary and the chairman on ways to balance competing demands for forces, typically from different combatant commanders. To date, the GFMB has largely focused

14. This definition is a modest derivation of that used by Paul K. Davis of RAND; see Paul K. Davis, *Capabilities-Based Planning, Mission-System Analysis, and Transformation* (Santa Monica, Calif.: RAND Corporation, 2002), p. 1.

15. The Linking Plans to Resources (LPTR) tool, a relatively simple spreadsheet analysis approach in use at U.S. European Command and U.S. Pacific Command, is notable in this regard.

on operational warfighting requirements for conventional forces. It has explicitly excluded special operations forces, which are a critical component of the current and projected operational environment, and strategic forces. It has also been slow to incorporate requirements stemming from security cooperation. As a result, its view is far from global, and many key competing demands on forces are not elevated to senior leadership through the Global Force Management (GFM) process. The BG-N study team recommends that, as a first step, the GFMB fully incorporate security cooperation demands into its quarterly review of force management priorities. The BG-N study team recommends that a second step should be the incorporation of special operations and strategic forces into its deliberations. The study team anticipates that these changes will require some adjustments to board staffing and membership.

Third, the Defense Department must move aggressively to make force and financial data transparent. Such transparency is a necessary prerequisite for CBP, allowing choice analysis across the department's components. The BG-N study team recommends that the under secretary of defense for personnel and readiness, or USD(P&R), and the combatant commander for U.S. Joint Forces Command (USJFCOM) immediately create a common force data lexicon, a sort of universal translator between "capabilities" and detailed force data. The DOD Comptroller and D(PA&E) already have efforts under way to improve the transparency of financial data. The study team recommends that the deputy secretary of defense closely monitor and ensure all DOD components comply with this effort.

Each of these changes is to some degree already under way within DOD. The next secretary of defense should continue and accelerate the progress achieved to date.

Mid-term Capabilities-Based Approaches

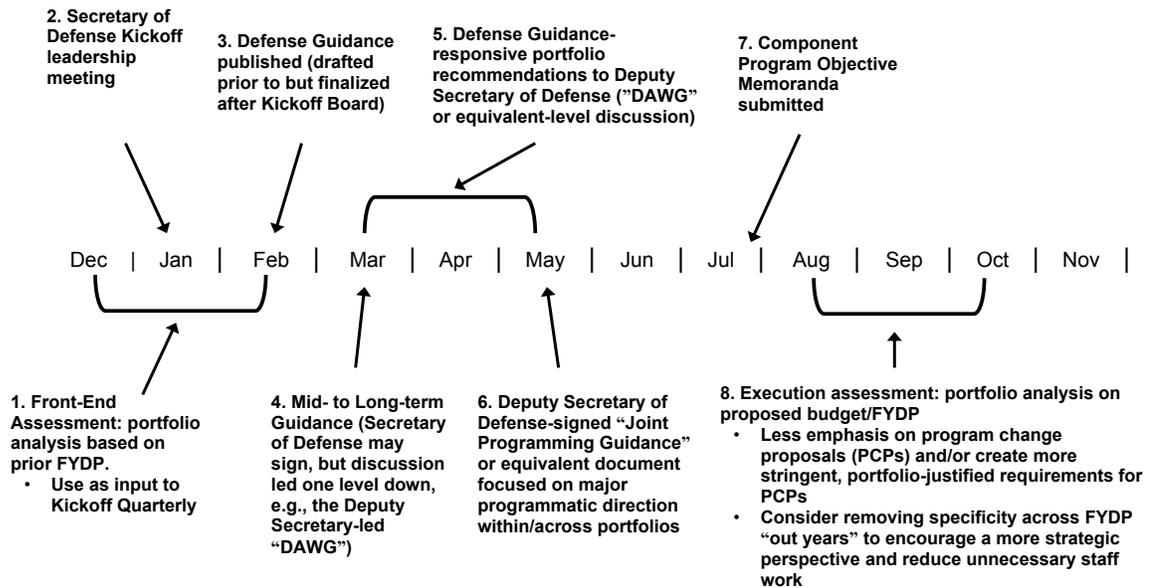
Most of the governance effort in DOD focuses on mid-term decisions. This is hardly unique; in the business world, the mid term is often seen as the horizon most amenable to strategic direction.¹⁶ The FYDP should define DOD's mid-term time frame. The FYDP looks two to seven years into the future. The BG-N study team believes the secretary of defense must be able to view mid-term decisions through a capability portfolio lens. Through capability portfolio assessments, or mission area analyses, the department can better demonstrate linkages from ends to ways to means, increase the value of defense dollars to taxpayers by rightsizing the defense program accordingly, and identify areas of needless duplication. Portfolio approaches force senior leadership to think in terms of outcomes: How well prepared are we for homeland defense? What is my relative return on investment in desert versus urban warfare capability? These types of questions are too rarely asked today.

For now, it is prudent to shift to a portfolio approach without altering the basic parameters of Title 10. The man, train, and equip responsibilities that largely reside with the military departments and defense agencies should be retained. The services and other providers offer a wealth of specialized knowledge about the capabilities they can generate, and the competition among them to innovate is decidedly healthy. What the department needs, then, is not so much capability portfolio managers, but rather capability portfolio assessors who can help DOD's leaders and Congress understand the efficacy of the defense program. Portfolio assessment is an expertise, and one that must be honed within DOD.

The BG-N study team believes the decentralized capability portfolio manager approach that DOD is currently piloting should be abandoned in favor of assigning capability assessment to a single headquarters organization that can advise the secretary and his governance team on the

16. R. Timothy S. Breene, Paul F. Nunes, and Walter E. Will, "The Chief Strategy Officer," *Harvard Business Review*, October 2007, pp. 84–93.

Figure 4.1. Notional Reformed Mid-Term Direction and Assessment Process



potential implications of major decisions. That organization should create uniform standards for joint portfolio assessment and be capable of analyzing trade-offs both within and across major mission areas. This conviction is at the heart of the BG-N study team’s recommendation for a director, strategy, execution, and assessment, discussed in chapter 6.

The BG-N study team is encouraged by DOD’s progress in creating a finite set of joint capability areas that encompasses all DOD missions and functions, including business processes. For purposes of the FYDP and budget analysis, specific platforms should be designated for inclusion in one, and only one, capability portfolio area. This allows DOD leadership and Congress to view the budget and FYDP through a strictly portfolio lens and see the trade-offs made by the department from year to year. Capability portfolio analysis is not limited to this financial view, however. For analytic purposes, such as determining the department’s long-term capabilities in information warfare or security cooperation, the department and its components may wish to assess the contributions of platforms not designated to that capability area or even to view multiple capability areas together. The adoption of capability portfolio areas for operational analysis must thus be more art than science, granting the greatest possible discretion to the analyst to provide a view of use to senior leadership in support of decisionmaking.

Together with the BG-N 4 study team’s recommendations for a strengthened quarterly governance process, a capstone defense guidance, and a rigorous execution assessment process, a new emphasis on capability portfolio analysis could substantially improve the substance of mid-term direction and performance. Figure 4.1 illustrates one possible approach to implementing these recommendations in the PPBE cycle.

Long-term Capabilities-Based Approaches

Three major analytic processes drive the department’s long-term activities: concept development, joint experimentation, and joint scenario development. In all of these areas, the Department of Defense has made substantial strides in the past decade.

The codification of Joint Operations Concepts Development Process, or JOpsC-DP, a subject of chapters 7 and 8, has provided a set of joint concepts intended to guide solutions development across doctrine, organization, training, materiel (where the bulk of investment lies), leadership and education, personnel, and facilities (DOTMLPF). Today, the JCIDS process is much maligned for its ponderousness, its bureaucracy, and its lack of clear effect. In chapter 8, we will address in-depth the challenges JCIDS faces. It is sufficient here to state that joint concepts are a necessary capabilities-based approach for long-term force development. Like much of the department's current governance approach, however, joint concept development currently lacks focus and high-level direction. The capstone concept, now undergoing its third revision in almost three years, should be treated much as the strategy glossies. It should capture the major themes derived from ongoing assessments of the geostrategic, operational, and technical environments, but the energy and staffing consumed by its evolution should be redirected toward a discrete set of more focused concepts that address the department's understanding of key emerging mission or functional areas. These key mission or functional areas, in turn, should be linked explicitly to the same short list of secretary of defense priorities used to drive governance throughout the defense enterprise.

An organization must always experiment and innovate to stay healthy. In the 1990s, joint experimentation was introduced as a bold new defense initiative. In the latter half of that decade, many defense experts viewed the nation to be in the midst of a strategic pause, in which no major national security threats loomed. Consequently, the Department of Defense sought to leverage the breathing space afforded by this relatively benign environment, focusing on modernization, long-term recapitalization, and the promise of experimentation. Secretary of Defense William Cohen created the U.S. Joint Forces Command, or USJFCOM, in 1999 to spearhead development of the future joint force, including joint experimentation.

Since 2001, however, U.S. military forces have become increasingly engaged in combat operations, and the resources available for joint experimentation have been strained commensurably.¹⁷ Until recently, the Navy served as the executive agent for joint experimentation. As so often happens during times of high operational tempo, the Navy routinely taxed the joint experimentation budget to fund more immediate needs. To provide greater program stability for joint experimentation, the department shifted its funding responsibility from the Navy to the under secretary for acquisition, technology, and logistics, or USD(AT&L), in 2007. Despite DOD's intent, early evidence suggests that USD(AT&L) is continuing its predecessor's practice of cutting USJFCOM's proposed joint experimentation budget requests.

Resource pressures on joint experimentation are worrisome, but they may be inevitable in the current operational environment. Far from abandoning the joint experimentation agenda, however, USJFCOM should continue current practices of focusing on fewer, smaller, tailored experiments; leveraging ongoing service efforts where possible; and concentrating on capturing and applying lessons learned from ongoing operations, especially in Iraq and Afghanistan. The BG-N study team also concludes that joint experimentation would provide greater return on investment if it were better integrated with joint education and training and joint concept development processes. USJFCOM's new Joint Concept Development and Experimentation Campaign Plan makes just such connections and should be encouraged. Chapter 7's recommendation that the Defense Department designate an empowered advocate for the future joint force would further cement such integration.

17. The study team acknowledges that the joint forces have not been uniformly affected by operational tempo. Portions of the Air Force and Navy, for example, have been substantially less stressed than their ground force compatriots.

The defense planning scenarios (DPS) are a critical analytic process for both the mid term and long term. The DPSs have been in existence for some time, but senior leaders' recognition of their centrality to a capabilities-based analytic approach is somewhat new. A key goal of the analytic agenda is to produce a broad range of defense scenarios that can be used to probe joint capability needs and compare proposed solutions across the future environment. Equally important is enforcing the use of these common DPSs by any DOD component seeking to test concepts and forces beyond the FYDP. Such a common joint analytic backbone provides a level of comparability not afforded by the current approach, in which services use discrete, distinct scenarios tailored to their particular skill sets. The BG-N study team is pleased with the progress made on the DPSs and recommends the secretary of defense, as part of his investment in the analytic agenda, make clear the need for a timely, comprehensive, and provocative scenario set. The BG-N study team further recommends that the secretary and his senior leadership team insist that components use the common joint scenarios to justify any proposed long-term trade-offs and that the DPSs be used to routinely test the adequacy of the planned force for the future.

Conclusion

Capabilities-based approaches offer tremendous promise for logically linking desired ends to ways and means. This linkage is critical not only for the secretary's ability to develop the defense program but also for his ability to persuade the White House and Congress that his defense priorities are sound. DOD has improved its capabilities-based analytic capabilities, but confusion persists over the meaning of capabilities-based planning and its implications. DOD also fails to invest in the tools and expertise necessary to actualize capabilities-based concepts in the way that many businesses have. By establishing a uniform understanding of capabilities-based approaches and improving joint analytic capabilities, the secretary of defense will strengthen his ability to withstand potential derailments of the defense agenda.

Key Recommendations

Cross Cutting

- Develop and publish a common lexicon for capabilities-based approaches, including capabilities-based planning.
- Invest significantly in joint analytic capabilities (tools, models, staff, technology, training) to actualize capabilities-based approaches.

Near Term (one to two years)

- Create better and standardized processes and tools for linking plans to resources via capabilities, especially at the combatant command level.
- Broaden the mandate of the Global Force Management Board to address security cooperation activities more fully and include special operations and strategic forces.
- Make force and financial data transparent in order to assess trades across components and functions.

Middle Term (five to six years)

- Create a finite set of joint capability portfolios that encompass all DOD missions and functions, tailoring and adapting the portfolios depending on intended use.
- Assign primary responsibility for capability portfolio assessment to a single headquarters organization.

Long Term (ten to fifteen years)

- Narrow the number and scope of joint concepts to several linked directly to key emerging mission areas identified as secretary of defense priorities.
- Focus joint experimentation resources on operationally gleaned feedback mechanisms and tie more closely to joint concept development, education, and training.
- Continue to emphasize a robust set of defense planning scenarios for DOD components' use in testing concepts and forces beyond the FYDP.

5

CREATING AN ACCOUNTABLE EXECUTION SYSTEM

Defense Department governance has survived to date with little performance measurement. Like many of its private sector counterparts, DOD is much better at setting goals and formulating strategy than evaluating its achievement or adjusting agilely to change. Some performance indicators—including election results, operational outcomes, technology breakthroughs, and financial scandals—have always existed, but owing to their generally lagging nature, they are used more routinely to steer the department in the wake of a crisis rather than around a crisis. It is nevertheless well within the grasp of an effective secretary of defense to create a culture of performance management and for the Department of Defense bureaucracy to institutionalize and respond to performance incentives over the long term.

Performance-Based Approach Defined

What does it mean to be a performance-based organization? The concept is simple: results matter. Too often, organizations fail to align incentives in such a way that results have consequences for the welfare of its constituent organizations or its leaders. Accountability lies at the heart of performance-based approaches. What an organization or individual does to advance progress toward a key objective is reflected in its budget share, salary, potential for promotion, and other like rewards or punishments. The customer's perspective is likewise at the center of the performance-based orientation because it is the customer that judges results.

Current Approach and Challenges

The Department of Defense has made some strides in creating a performance-based culture, but many of its bad habits have returned in recent years. From 2002 to 2004, the secretary of defense's leadership team created a textbook balanced-scorecard approach to assessing DOD risk, including the creation and use of "dashboard" and more detailed, Government Performance and Results Act-compliant metrics to measure performance.¹ The Planning, Programming, and Budgeting System was renamed the Planning, Programming, Budgeting, and Execution System to emphasize the importance of performance tracking.² Mid-term planning guidance was even organized by the balanced scorecard, providing a basis for aligning measurement to strategic direction. Shortly thereafter, however, the emphasis on measurement all but ceased. It is unclear whether this was due to the departure of key personalities, lack of senior leader interest in the project, ineffectiveness of the approach, or the press of operational business. In 2006, responsibility for performance measurement moved from D(PA&E) to the DOD Comptroller, where it resides today. Like its

1. See Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Cambridge, Mass.: Harvard University Press, 1996).

2. "The Planning, Programming, Budgeting, and Execution System (PPBE)," DOD Directive 7045.14, May 22, 1984; certified current as of November 21, 2003.

predecessor office in PA&E, the Comptroller unit dedicated to performance management has only a handful of people. More important, governance-level outcome metrics are not routinely used today to guide senior-level discussions. At the program level, measures of effectiveness are considered quite important, both in the requirements generation process and in the DOD acquisition system.

In contrast to the failure to hold organizations systematically accountable for performance, in the human resources realm the department is experiencing a seismic shift toward performance-based pay and promotion. Former secretary Donald Rumsfeld and his advisers created the National Security Personnel System (NSPS) in order to strengthen the relationship between civilian defense employees' pay and their performance. Under NSPS, employees are evaluated based on their contributions to key organizational objectives. NSPS is in its very early implementation phases, and it is unclear whether it will ultimately be successful in aligning individual incentives to DOD-wide strategic outcomes. It is already suffering from the ambiguous articulation of defense goals that plagues DOD more generally. For instance, the stated goals of transforming the defense enterprise can be easily manipulated to justify virtually any activities for which an employee claims credit.

A frequently cited barrier to using metrics is the difficulty in developing quantitative measures of success. Many of the Defense Department's activities resist outcome quantification. For example, how should one gauge U.S. defense progress in the Pacific? By the lack of regional open warfare? The number of U.S. security cooperation activities with key regional states? The stemming of regional nuclear proliferation? Metrics too often measure resource inputs and activity outputs—how many forces were involved or how many exercises were conducted—or binary outcomes—peace versus war. Yet, none of these types of metric is particularly helpful to the secretary of defense in determining success.

Given the difficulties in developing useful metrics and measuring performance, one might expect DOD to invest in expertise in these areas. Instead, DOD has generally thought of itself as a unique case in which measures are simply infeasible, though as a result, very few individuals at the headquarters level—within OSD or the Joint Staff—are trained in performance measurement.

Criteria

Effective performance measurement and management are essential elements in the assessment phase of the governance cycle. But a secretary of defense does not require information about all department activities to be effective. Indeed, flooding the senior leadership with system feedback would overwhelm them and dissipate the focus of governance. From the secretary's perspective, a well-functioning performance assessment process is one that provides timely, targeted feedback on how well the department is executing his priorities and whether the priorities themselves, or their intended implementation path, require revision.

Proposed Reforms

The BG-N study team believes that timely and tailored performance measures are invaluable to the secretary's governance process. All secretary of defense-directed priorities from the discrete list articulated quadrennially and modified as necessary should be assigned outcome metrics that are then measured and reported each quarter. These measures should be codified in the defense guidance and appropriate downstream guidance.

Accountability is an absolute necessity for good governance, and effective performance assessment facilitates it. The secretary of defense should make his key team members responsible for each execution-related performance measure identified in the defense guidance. Progress on these measures should be tracked and reported to the secretary of defense via his staff (see chapter 6 for specific recommendations). Quarterly governance forums would be used to discuss these measures and allow responsible senior leaders to address them. Federated performance measurement should be practiced throughout the Department of Defense, so that at the management and work levels DOD develops the strong and lasting culture of a performance-based organization.

The National Security Personnel System is nascent, and the BG-N study team believes it premature to render judgment on its utility. That said, DOD should continue to improve its capabilities for linking individual compensation and promotion to goal outcomes. Pay-for-performance is standard practice in the private sector. If DOD hopes to attract and retain top-notch civilian talent, it must reward those who excel above those who do not. Every secretary of defense must be free to determine for himself, and on the president's behalf, what priorities are foremost at any given time. Nevertheless, one of these priorities should be to charge the under secretary of defense for personnel and readiness with systematizing a performance-based civilian human resources approach within all component organizations.

Conclusion

It is a truism that ineffective leadership can render the best approach or system irrelevant—especially in the realm of performance assessment. A leader who does not hold individuals or components accountable for their actions—rewarding those who advance the secretary's and president's agenda and disciplining those who do not—cannot expect to govern a successful Defense Department.

Key Recommendations

- Link key secretary of defense priorities to performance measures, and hold principals and their organizations accountable for meeting measures.
- Use the quarterly secretary of defense meeting process to routinely reassess goals, measures, and milestones with principals.
- Continue USD(P&R) efforts to systematize a performance-based approach to civilian compensation and promotion policy.
- Strengthen the use of goal-oriented performance measurement and assessment throughout the defense enterprise.

6

SUSTAINING GOOD GOVERNANCE— THE DIRECTOR FOR STRATEGY, EXECUTION, AND ASSESSMENT

The secretary of defense could undertake all of the above reforms and would likely see significant short-term benefits. The BG-N study team believes, however, that the centrality of strategic direction to the secretary's success, and the substantial institutional barriers to its effective performance, argue for a more aggressive, organizational overhaul within the Office of the Secretary of Defense. Specifically, the BG-N study team recommends that the secretary realign his OSD staff to enhance the prominence and unified day-to-day oversight of strategy development, execution, and assessment.

Challenges

The key challenges this report describes underscore the need for institutional change. Most important, weak linkages exist between policy statements of ends and the implementing mechanisms needed to ensure execution through ways and means. Congress is especially critical of this weakness; the result has been a proliferation of legislative reporting requirements on the department and a lack of trust between the two. There is also currently too little attention to the need for prioritization in quadrennial, annual, and quarterly defense processes; too little attention to risk assessment and mitigation; an absence of performance tracking and feedback; and no advocate for improving on the relatively weak suite of joint analytic capabilities. In addition, although PPBE can provide a useful analytic framework for some of the department's most pressing governance issues, the process is now in crisis. Senior leaders pay too little attention to its planning and, especially, execution phases. The under secretary of defense for policy, as strategy and planning process owner, sets objectives but does so with a geostrategic bias that too often excludes needed information about the future—financial, technological, and military concepts—and the paths leading there. Even the program phase and the Office of Program Analysis and Evaluation itself have lost their sense of purpose, becoming increasingly mired in adjudicating incremental program change proposals and seldom teeing up hard choices of substantial import.

All of these challenges are exacerbated by poor management across organizational seams. Ways and means connectivity is dependent on a multi-organization, multi-phased set of processes that no one below the secretary and deputy secretary of defense can effectively integrate. As a result, agenda setting is poorly overseen and executed. Decisions about what senior leaders should discuss are too often handled in an ad hoc manner that does not promote the secretary of defense's agenda. Process success has ebbed and flowed with the changing mutual goodwill and initiative of various organizations and their leaders. Over time, the seams have simply become too debilitated for decision, execution, and assessment.

Recommendations

The BG-N study team believes the seeds for success can be found in the increasingly common use of a chief strategy officer (CSO).¹ Although the particular form and the name vary, the underlying “job jar” is the same: a dedicated cadre working to ensure that key issues are prepared for decision and that the CEO’s strategy is executed in a timely and effective manner. Business analogies cannot always be applied to the government sphere, nor are private practices ipso facto superior ones. Yet, in the case of the CSO concept, the BG-N study team believes DOD has much to learn from the private sector in addressing the core challenges to any decision, execution, assessment system.

In that spirit, the secretary of defense should create a director for strategy, execution, and assessment (D(SEA)).² The D(SEA) would replace the director for program analysis and evaluation, placing the narrower PA&E mandate and skill set within a broader enterprise framework. Like the director, PA&E, the D(SEA) would be a principal staff assistant to the secretary of defense but not subject to Senate confirmation. The D(SEA)’s goals would be to integrate and advocate analytic and decision support for the secretary of defense. The D(SEA)’s key functions would include:

- **Administering the QDR.** The secretary of defense may want to choose the USD(P), a special adviser, or the deputy secretary of defense to be the QDR’s conceptual leader, but the task of managing the process—including helping articulate prioritized ends, defining stakeholder roles, and creating or outsourcing necessary joint analytic capacity to conduct the review—should be institutionalized in the D(SEA).
- **Drafting the secretary’s defense guidance and mid- to long-term guidance.** A primary responsibility of D(SEA) will be to lead drafting and coordination of the secretary’s major FYDP guidance statements, as well as many long-term statements. These guidance documents would aim to link ends, ways, and means, providing focus and risk parameters for use by DOD components. Near-term planning guidance, currently labeled as the Guidance for the Employment of the Force (GEF), is driven primarily by the geopolitical realities of the current threat environment and should therefore remain the responsibility of the under secretary of defense for policy. OD(SEA) would nevertheless be a key coordinating organization.

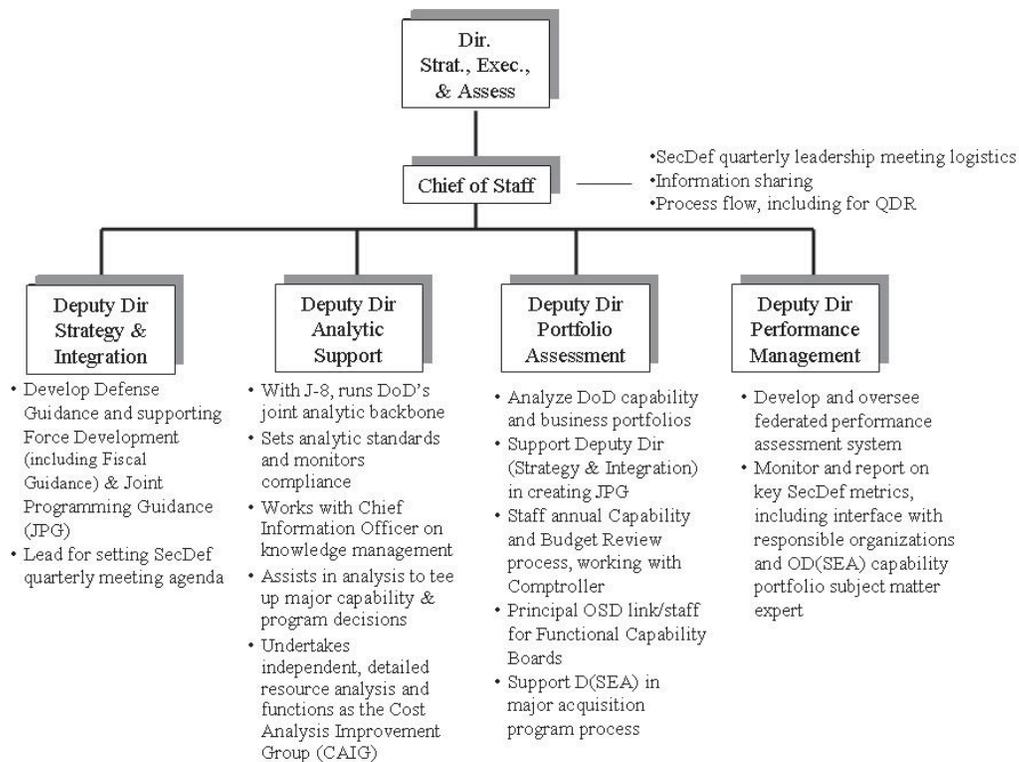
1. See, for example, Robert S. Kaplan and David P. Norton, “The Office of Strategic Management,” *Harvard Business Review*, October 2005, pp. 72–80; and Breene, Nunes, and Will, “The Chief Strategy Officer.”

2. Although the specific name chosen for this position is not central to the BG-N study team’s conceptual recommendation, names do matter. This position must be understood, prima facie, to be the secretary’s nerve center for governance, including for strategy development.

Most top strategy executives ... consider themselves doers first, with the mandate, credentials, and desire to act as well as advise. Most important, they understand how to focus the organization on executing today, not just planning for tomorrow.

R. Timothy S. Breene, Paul F. Nunes, and Walter E. Will, “The Chief Strategy Officer,” *Harvard Business Review*, October 2007

Figure 6.1. Notional Organizational Chart for the OD(SEA)



- **Directly supporting agenda-setting and administration of the secretary of defense’s quarterly governance process.** The OD(SEA) would be responsible for helping the secretary define his priorities and then orchestrating a governance calendar and process to achieve them. The D(SEA) is the keeper of the keys to the secretary’s governance forums and a major force for integration among Tier 2 governance systems.
- **Overseeing monitoring of key performance measures.** Most of the department’s performance measures will be tracked through a decentralized, federated system that extricates the governance realm from program management. For those key priorities articulated by the secretary of defense, however, the D(SEA) would work with the responsible principal staff assistants to ensure measures are tracked and provide independent assessments on their meaning and progress.
- **Providing independent capability portfolio assessment for the secretary of defense.** Perhaps the greatest potential for D(SEA) lies in creating joint expertise to analyze the defense program by and across major capability portfolios. In place of a narrowly construed annual program review, the D(SEA) could facilitate for the secretary of defense a more broad-brush major capability review as well as help frame decisions early on, through front-end portfolio assessments. OD(SEA) would link to similar organizations in the USD(AT&L), USD(P), Joint Staff and military services, particularly through the Functional Capability Boards.

Figure 6.2. Required OD(SEA) Skill Sets

- Strategy development
- Joint concept development and experimentation
- Net assessment
- Program analysis, including capability cost estimation
- Operations research, modeling, and simulation
- Performance assessment
- Governance
- Systems architecture
- Business systems and best practices
- Data management

The BG-N study team estimates that OD(SEA) would need approximately 100 government and military professionals (in an approximately 4-to-1 ratio) to fulfill these staff functions. In addition, the office would likely need a sizable contractor base, as resident analytic expertise resides largely in the Federal Funded Research and Development Centers and private defense contractor sector. To fill the organization's requisite skill set (see figure 6.2) and promote a culture of governance throughout headquarters, the secretary of defense should create a stretch goal of providing 20 percent of the organization's staffing through two-year rotational assignments from line OSD organizations—especially Policy, AT&L, DDR&E, and Comptroller—and key interagency and international stakeholders. To ensure this diverse group has allegiance to the D(SEA) and his mandate, all staff performance reviews would be completed by OD(SEA) management rather than parent organizations.

Creating the OD(SEA) requires drawing on expertise currently in several other OSD organizations. Portions of USDP concerned with strategy development and capability priorities would merge into OD(SEA) and provide the overarching, strategic ethos for the organization. Portions of the USD(AT&L) that develop mission architectures and provide needed technical insight into joint concept development and experimentation (JCD&E) would contribute experts on a rotating basis. The under secretary for comptroller would need to cede the small metrics and performance measurement function and staff it recently adopted from PA&E. Finally, most of PA&E's current functions would be absorbed into the new organization, with renewed emphasis placed on its contributions to the analytic agenda and mission area analysis.

To be sure, creating a new organization is expensive and disruptive. Task forces, horizontal integration teams, and other networked approaches create less chaos and are more adaptable over time. In addition, closing one set of seams typically opens up others, which can significantly mitigate or even outweigh the intended benefits of reform. Even well-planned organizational changes are not a panacea for deeply entrenched problems. Success is often more dependent on leadership, skill, and relationships than the designation of a single process owner.

Sometimes, however, structural change is best. New reporting chains can realign incentives. Consolidation can create a focal point for expertise. Realignment can clarify responsibility and

accountability. And new opportunities for horizontal sharing can emerge. Less formal mechanisms, or the partial implementation of a structural reform, can be manipulated by organizations as a way to claim credit for change while quietly suffocating the intended innovation.

The BG-N study team believes creating an entity to unify oversight of strategy, execution, and assessment and to serve as the department's governance guardians achieves all of these goals. Without question, the reform will produce new seams. This is particularly true for the relationship with USD(P). The recommendation's starkest trade-off is its acceptance of risk in linkages between strategy development and an understanding of the geopolitical environment in order to strengthen the critical connections internal to strategy—ends, ways, and means. Chapter 8's recommendation to create a Futures Group, including USD(P), and to give it a prominent role in the governance process, would do much to ameliorate this seam. Ultimately, the secretary and deputy secretary of defense will still need to serve as the final source for overarching direction and integration, but the proposed staffing model for OD(SEA) will do much to improve transparency and trust across OSD's seams and beyond.

Conclusion

Defense experts sometimes see the department as a unique creature in American society. DOD's critical mission, its emphasis on effectiveness over efficiency, its relationship to the U.S. Congress and the defense industry, and its vast size and complexity are frequently cited limitations on the secretary's ability to govern. These factors are critical governance considerations but do not excuse DOD from the normal imperatives of organizational governance; to the contrary, they underscore the importance of a secretary of defense governing well. Doing so will require that the secretary provide actionable and focused strategic direction that can drive his and the president's agenda. It also requires the analytic capability and capacity to assess programs and activities for their contribution to the strategy and to articulate those linkages clearly to Congress and other key stakeholders. Last, it requires accountability. Performance matters, and the secretary of defense is best positioned to instill a performance-based culture in the department. His efforts to institutionalize effective governance would be substantially assisted by a dedicated senior official and expert staff who are integrating these three key elements—strategy, execution, and assessment—on his behalf. This change will come with some costs, but as the private sector CSO model shows, its potential is tremendous.

7

ADVOCACY FOR FUTURE JOINT FORCE DEVELOPMENT

In the decade following the 1986 Goldwater-Nichols Act, the Department of Defense enhanced its ability to operate as a joint force in the field. In the twenty-first century, defense experts have rightly placed equal emphasis on the need for the whole national security sector to operate as a coherent enterprise.¹ Sometimes overlooked but also critical is the extension of unified action—jointness—to the development of the future force. This chapter describes the department’s current force development processes, the criteria for its success, and the need to strengthen customer input in DOD’s provider-centric governance process. Chapter 8 provides further force development recommendations for both the legislative and executive branches.

Force Development Defined

Most of the Defense Department’s activity can be categorized into two broad areas: those relating to managing and maintaining today’s force and those relating to developing the force of tomorrow. Force development is ultimately about making the right investment decisions. It includes potential changes across DOTMLPF to bring capabilities in line with strategic direction and joint concepts.

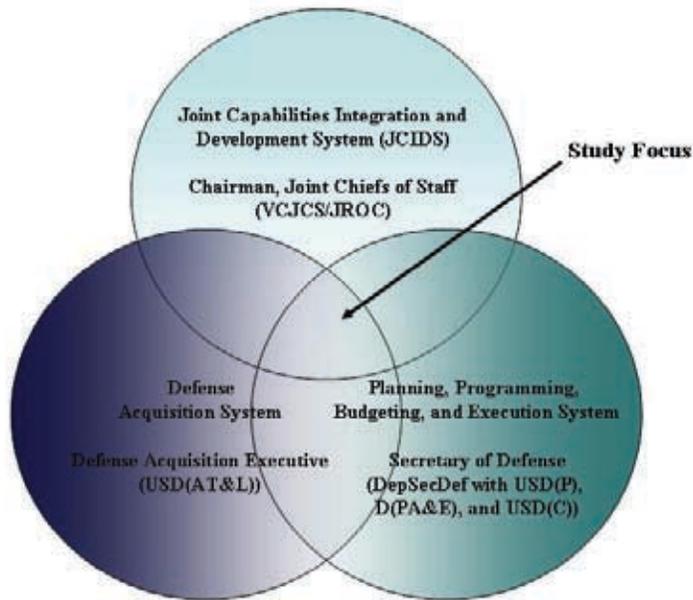
Four of the department’s Tier 2 governance processes contribute directly to force development. Most important is the Joint Operations Concepts Development Process (JOpsC-DP) and the chairman’s Joint Capabilities Integration and Development System (JCIDS). JOpsC-DP governs the development and management of joint operations concepts, which are intended to link strategic guidance to needed future force capabilities.² JCIDS then translates these concepts into prioritized joint capability needs, described in terms of key performance parameters. The major acquisition process is intended to pick up where the military requirements process ends, steering the selection and development of joint and high-dollar-value program solutions. The department’s PPBE system intersects with these processes, attempting to link the secretary’s objectives to the mid-term program and near-term budget. Figure 7.1 illustrates these three processes, which are sometimes collectively referred to as “big acquisition” or “big A.” The highlighted area represents the BG-N study team’s focus on JCIDS and its intersection with defense acquisition and PPBE as the keys to force development.³

1. Prior CSIS recommendations for interagency reform can be found in Clark A. Murdock and Michèle A. Flournoy, *Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era, Phase 2 Report* (Washington, D.C.: CSIS, July 2005); see especially chapters 2–4.

2. “Joint Capabilities Integration and Development System,” Chairman of the Joint Chiefs of Staff Instruction 3170.01F, May 1, 2007.

3. Solid capabilities-based planning tools and methods are critical to effective future force development. Recommendations to improve the department’s capabilities-based approaches are provided in chapter 2.

Figure 7.1. Future Force Development: Contributing Processes

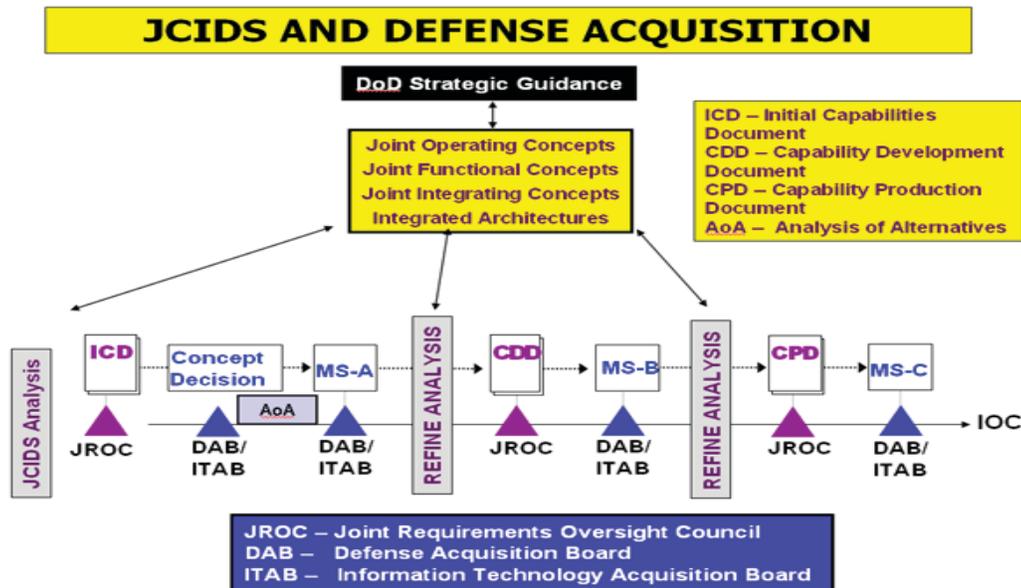


The Joint Requirements Oversight Council (JROC) oversees JOpsC-DP and JCIDS implementation. The JROC was enshrined in law in 1996 to assist the chairman, Joint Chiefs of Staff in his duty to advise the secretary of defense on military needs.⁴ Since then, the statute and practices governing the JROC have evolved. Since its inception, it has actually been chaired by the vice chairman, Joint Chiefs of Staff (VCJCS), with the services represented by their vice chiefs of staff. More recently, the deputy combatant commander for U.S. Special Operations Command has been added as an informal member of the JROC because of the command's service-like provider responsibilities. For a period in the 1990s and again today, the JROC has occasionally incorporated senior civilian staff as nonvoting advisers to its activities. These include the director, PA&E, and the under secretary of defense, AT&L, two other "big A" process owners. When the JROC meets in this broader group, it is known as the Expanded JROC (E-JROC). In the past few years, all combatant commanders or their deputies have been invited to participate in selected JROC proceedings, either in person or via secure videoconference. The FY 2008 Defense Authorization Act includes language requiring the JROC to provide its advice in "core mission areas" to be designed by the secretary of defense. It also would codify the JROC advisory roles of USD(AT&L), USD(Comptroller), and D(PA&E).

Major acquisition programs are subject to OSD oversight, and with its revisions to DODD 5000 series, OSD has worked to incorporate JCIDS products, such as requisite key performance parameters, into the deliberations of the Defense Acquisition Board and related acquisition management bodies. Simply put, after the JCIDS process identifies joint capability gaps, selects

4. The JROC's statutory composition includes five members: the chairman of the Joint Chiefs of Staff as the chair and a four-star representative from each service selected by the chairman after consultation with the secretary of defense.

Figure 7.2. Current Linkages between Acquisition and Requirements

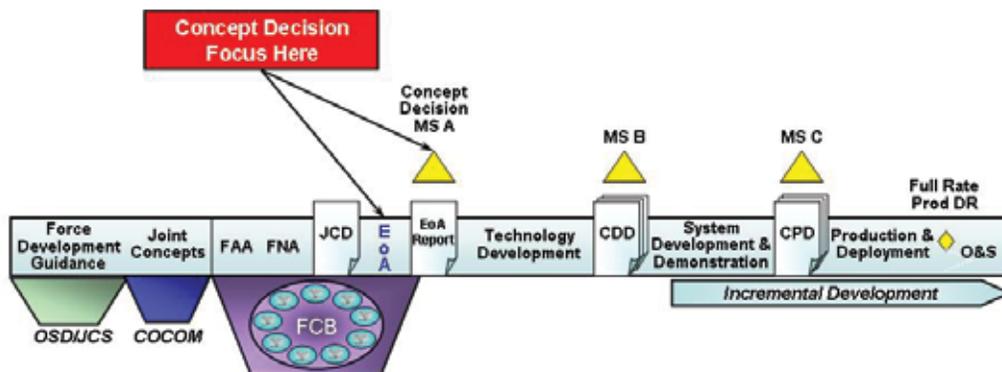


Source: U.S. Department of Defense, *Defense Acquisition Guidebook*, Figure 1.3.1.

independent nonmateriel solutions that can help mitigate these gaps, and, if needed, recommends promising materiel solutions, the acquisition process begins. JCIDS guidance documents, the Capability Development Document and Capability Production Document, are inserted at each stage of the acquisition milestone decision process to help ensure that the materiel solution being pursued remains responsive to the military capability need it is intended to address. The vice chairman’s role as chair of the JROC and a co-chair on the Defense Acquisition Board creates further organizational incentives for integrating the two systems. Figure 7.2 illustrates how JCIDS and the DODD 5000 series processes intersect for major acquisition programs.

Since 2005, the department has been piloting an effort to provide better and earlier trade-off analysis among technological, cost, operational performance, and schedule considerations, inserting collective civilian-military oversight of solution identification earlier into the process. This effort seeks to create a new decision point where the department’s senior leadership can make early, collective, portfolio-based, risk and resource-informed investment decisions on new materiel and nonmateriel solution approaches. The current process often moves rapidly from the JROC’s approval of an initial capabilities document, a statement of need and initial look at solution approaches, to a milestone B acquisition decision. At milestone B, acquisition programs are formally launched and subsequent efforts to significantly change or cancel these programs are difficult and costly.

Figure 7.3. EoA/Tri-Chair Review Pilot Process



Source: Adapted from Skip Hawthorne, "Overview of the Defense Acquisition System: The Recent Past, the Present, and the Future," presentation to the DoD Cost Analysis Symposium, February 2007. Accessed at <http://dodcas.org/DoD-CAS2007presentations/Track1/Session6.1Goree.pdf>.

The Evaluation of Alternatives (EoA)/Tri-chair Review pilot attempts to mitigate this seemingly irreversible momentum. The review inserts an additional senior-level decision point, a meeting tri-chaired by the USD(AT&L), the VCJCS, and the D(PA&E) prior to acquisition to milestone A or Milestone B. This Tri-chair leverages the results of an EoA conducted just prior to the review. The EoA attempts to streamline the somewhat redundant and sometimes inconsistent functional solution assessment (FSA) called for under (JCIDS) and the analysis of alternatives (AoA) mandated in the acquisition management process under the DODD 5000 series directives that are typically required. Figure 7.3 depicts the EoA/Tri-chair Review pilot process.

Force Development Process Criteria

A successful force development process will possess a number of key attributes. It must be informed by strategic direction and attendant capability priorities. It must be integrated across needs identification, DOTMLPF solution competition, and program execution. It must be resource conscious, accounting for timing, funding, and technology issues related to capabilities development. It must be disciplined and transparent, providing stakeholders with predictable, routine mechanisms through which to voice their views and precluding back-door deals. It must be outcome focused, prioritizing gaps critical to the joint warfighter today and in the future. Finally, it must be adaptive, adjusting to shifts in the U.S. military's operational and long-term needs.

Challenges to Achieving Customer-Provider Equilibrium

Future force development is currently undergoing many experiments and innovations, several of which are quite promising. Nevertheless, some of the core problems facing force development persist. The single most important evidence supporting this conclusion is that the department's internal customer, the joint warfighter, perceives herself to be chronically underrepresented in today's force development forums. Interviews with combatant commanders and their staffs repeat-

edly confirmed this perception. For long-term joint force development, the issue is even more dire. In 2006, Secretary of Defense Rumsfeld reportedly asked members of his senior staff, “Who there speaks for the future joint warfighter?” Apparently, no one raised a hand. Although several officials have a stake in future joint force advocacy—notably the CJCS and VCJCS, the now-defunct director for force transformation in the Office of the Secretary of Defense, the functional combatant commanders, and commander, USJFCOM—none seems to view it as a primary role.

As the BG-N Phase 2 study team argued, the JROC is the most egregious example of the governance systems’ underrepresentation of the joint warfighting customer.⁵ With all the niceties of informal E-JROC and combatant commanders’ participation stripped away, the JROC’s power is still held by the VCJCS and the service vice chiefs (providers) who comprise its membership. The JROC’s chair, the VCJCS, typically (and understandably) acts as an honest broker, attempting to help adjudicate positions across both customer and provider perspectives. In this sense, the JROC is simply emblematic of the Joint Staff writ large. Interviews and experience have convinced the BG-N study team that the Joint Staff views its mission as reaching collective accord across the military establishment, including the four services and the 10 combatant commands. It is not generally comfortable advocating on behalf of one uniformed subset against another.

If service representatives are largely validating joint requirements through the provider-centric JROC, the governing forum for both JOpsC-DP and JCIDS, then the linkage from objectives to ways and means is guided less by what the joint force needs than by what the force providers would like to do. Further, solutions are more likely to result from logrolling among these providers than from an active competition of ideas. Without joint warfighter-driven rationalization of otherwise separate service approaches, in turn, the department often ends up investing in needless duplication. Neither of the department’s key customers, the president or the joint warfighter, is well served by this status quo environment.

The Defense Department’s future force will continue to be disproportionately influenced by provider perspectives until joint warfighter input is offered (and accepted) on an equal footing. This supply-demand balance must be adjudicated at the governance level. The secretary must have direct and routine access to the views of both providers and customers, with both sets of stakeholders participating in his quarterly governance process, and must insist upon equal representation of customers in other key governance forums—including PPBE’s three-star programmers’ meetings, USD(AT&L)’s Tri-chair process (should it be institutionalized), and the JROC.

The tyranny of distance and a paucity of headquarters staff place most combatant commands at a disadvantage in trying to fulfill this customer role directly. In BG-N Phases 1 and 2, the study team recommended improving combatant commands’ resourcing and requirements expertise, typically resident in their J-8 staffs. The Phase 4 study team strongly endorses these and associated prior BG-N recommendations and urges DOD to make greater progress toward implementing them. Equally limiting, combatant commands’ primary planning horizon is near term, particularly for the regional commands, whereas the major governance forums require customer input relevant for the middle and long term as well. Even so, combatant-command input is critical for long-term governance. As one retired combatant commander pointed out, “Short-term needs are not necessarily temporary needs.”

Given the logistical difficulty combatant commands face and their necessary operational focus on the here and now, the BG-N study team believes future force development requires the department to adopt a more radical solution than simply better incorporating regional and functional combatant commanders into existing governance and Tier 2 governance forums. The study team

5. See Murdock and Flournoy, *Beyond Goldwater-Nichols*, pp. 77–87.

concluded that the secretary of defense and chairman of the Joint Chiefs of Staff require a dedicated, full-time, high-level official to advise them on the needs of the future joint force. This individual would be the primary adviser to the secretary on future force development issues and could provide the secretary and the CJCS with independent expertise to help adjudicate customer needs and prioritize them within the future joint environment that this official would help define.

To advocate effectively for the future joint force, this individual must have routine presence in the national capital region so that he can participate actively in all appropriate governance and Tier 2 governance forums. He also must have an analytically capable staff, including reachback presence in each of the individual combatant commands. With such a staff, the future force advocate would unify for the secretary several of the most important future force activities. He would oversee the joint concept development and experimentation; joint military education, including stewardship of the flagship National Defense University; and the development of joint doctrine. The secretary should also ensure that he convenes a demand-only, Tier 2 governance venue that would roughly parallel the informal, provider-only Operational Deputies (OpsDepts), forum chaired by the director of the Joint Staff. The Senior Warfighters' Forum (SWarF), revitalized by the current vice chairman when he was the combatant commander of U.S. Strategic Command, might be easily adapted to perform this function. It is currently intended as a mechanism for combatant commanders to engage with one another on particular capabilities, missions, or functions of mutual interest.⁶

The JROC is the most promising venue for rebalancing military provider and customer input to the chairman. The BG-N Phase 2 study team recommended removing the service vice chiefs from the JROC and replacing them with the deputy combatant commanders.⁷ Recognizing the combatant commands' logistical and expertise constraints, congressional reluctance to remove the JROC mechanism in its entirety, and the JROC's unrealized potential as a valuable, balanced advisory body for the chairman and the secretary, the BG-N Phase 4 study team refined this Phase 2 recommendation. The BG-N study team recommends that the practice of having the service vice chiefs on the JROC should continue but that the aforementioned advocate for the future joint force be added as a sixth statutory member of the JROC.⁸ Like its Phase 2 predecessor, the Phase 4 study team endorses the practice of including key civilian officials and combatant commanders as advisers on the JROC. These changes would create the force development governance hierarchy depicted in figure 7.4.

Absent more fundamental revision to Title 10, these relatively modest but critical changes may present the best chance for increasing the JROC's effectiveness.⁹ They would begin to redress the gross imbalance in the capability development process. They also acknowledge the incentives facing the CJCS and VCJCS, which typically drive these officials to act as honest brokers in the system of military advice and make them ill-suited as permanent advocates for one particular military constituency.

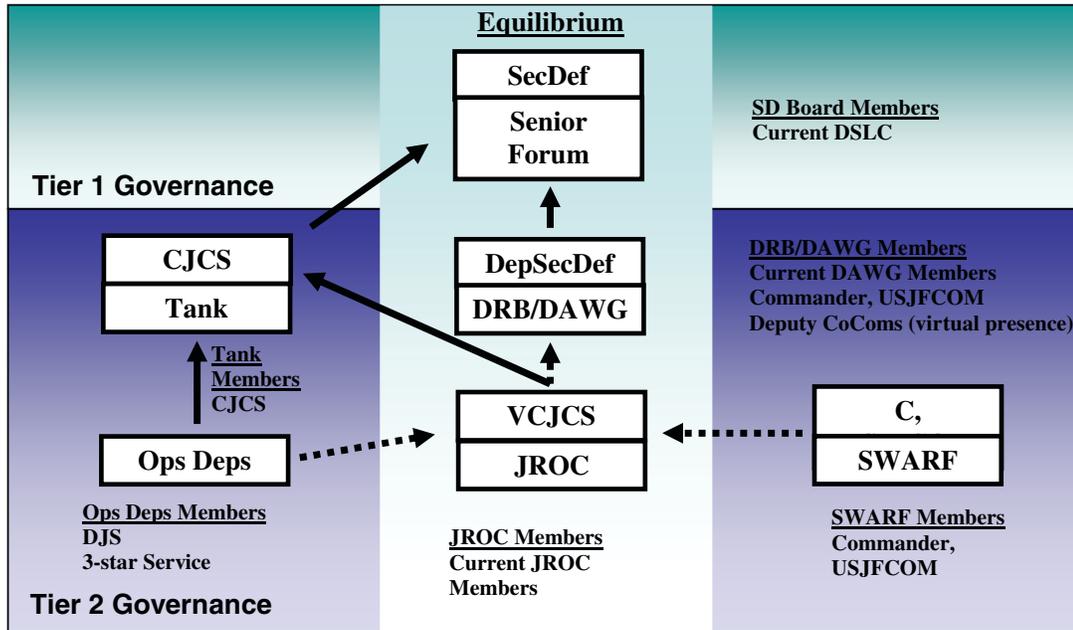
6. "Joint Capabilities Integration and Development System," p. GL-18.

7. Murdock and Flournoy, *Beyond Goldwater-Nichols*, p. 84.

8. This change could be temporarily achieved without statute if the secretary so directs. The future force advocate's role on the JROC will surely be weaker than it would be if it were grounded in Title 10 authority.

9. Two major Title 10 revisions are worth further study. The first would elevate the JROC's functions out of the chairman's advisory domain, legislating a tri-chair-like process that is civilian-led and directly reports to the secretary of defense. A second, in line with the intent of BG-N Phase 2 recommendations, would re-role the JROC as a demand-only forum, with the provider perspective maintained in the Joint Chiefs. This latter change would likely force the chairman to create a new, all-uniformed forum to adjudicate supply and demand prior to providing his advice to the secretary of defense. It is important to note that both of these potential revisions would require a powerful future force advocate in order to succeed.

Figure 7.4. Reaching Provider-Customer Equilibrium



The next chapter addresses the BG-N study team’s proposed JOpsC-DP and JCIDS reforms. It is worth noting here, however, that the advocate for the future joint force should assume oversight over joint operations concept development but not over joint capabilities development. Rather, JCIDS and JROC support would continue under the purview of the director, Joint Staff J-8, who, like the chairman, would serve the honest-broker role that his incentive structure virtually dictates. The advocate for the future joint force should nevertheless play an active role in joint capabilities development. His role as the joint concept development process owner would shape the joint capabilities development debate. His staff would also take an active role in the J-8-led Functional Capability Boards and Joint Capabilities Board, where they would advocate on behalf of the future joint force.

The issue of who should assume the role of future joint force advocate was the most difficult problem the BG-N 4 study team faced. Among the options discussed were:

- **Director of force transformation.** This official could be a high-ranking civilian, perhaps a retired military officer, who would report directly to the secretary of defense. The BG-N study team ultimately felt that the future force advocate should be an active duty, four-star military officer, charged with providing military input to the secretary. Doing so expands the secretary’s flexibility by creating an additional source of expert military advice without stifling his civilian sources of such advice, including the USD(AT&L) and the D(SEA).¹⁰ The BG-N study team also judged a civilian-led approach to entail more risk in its institutionalization. On average, civilian political leaders serve shorter terms than their four-star equivalents and are more subject to changing leadership interests
- **Vice chairman, Joint Chiefs of Staff.** The BG-N study team considered naming the VCJCS as the advocate for the future joint force and providing him with a direct-report staff to carry

10. See chapter 2.

out this day-to-day responsibility. It concluded that the VCJCS's incentive structure, like the chairman's, virtually dictates he perform as an honest broker among DOD's 14 vying military components (4 military services and 10 combatant commands), which means that simply trying to dual-hat or recast him into a specialized advocacy role would likely fail over time, if not immediately. Doing so also overlooks the VCJCS's very real responsibilities to perform on behalf of the CJCS and absorb additional CJCS-assigned duties. Removing this deputy role is thus equally unrealistic, as the VCJCS has strong incentives to learn his boss's job and ample opportunities to exercise this broader mandate.

- **A second vice chairman, Joint Chiefs of Staff (VCJCS).** Some working group members proposed creating a second vice chairman to serve as the advocate for the future joint force. Doing so would probably entail a concomitant reduction in the existing VCJCS's duties in order to create parallel and distinct lines of authority. The BG-N study team is concerned that having two vice chairmen would be difficult to operationalize and would create potential chain-of-command confusion. Like the parallel argument for two deputy secretaries of defense, it is unlikely to gain acceptance by Congress, the secretary of defense, or the chairman of the JCS. U.S. Southern Command and the recently established U.S. Africa Command are currently attempting dual deputy structures. Success in these organizations may widen acceptance for similar approaches on the Joint Staff or within OSD, but for now the BG-N study team judged it infeasible.
- **Joint Staff J-Code director.** The advocate for the future joint force could be a duty assumed by the director, J-7, or even by a new director, J-9. These positions are traditionally three-star billets, however, and to enable effective advocacy, particularly on the JROC, the BG-N study team believes he would need to be a four-star general or flag officer and thus comparable to combatant commanders and service chiefs and vice chiefs. It considered creating a four-star director within the J-code structure, but doing so would create a chain of command problem with the typically powerful three-star director of the Joint Staff.
- **Assistant to the CJCS.** Today the CJCS has a three-star assistant to the CJCS. The CJCS could create a second, four-star assistant, this one at the four-star level, for future joint warfighting. This approach would take the unusual step of creating within the Joint Staff a substantial organization, roughly the size of a J-code, outside the normal staff structure. Creating an organization that reports to the chairman is consistent with the spirit of Goldwater-Nichols, still codified in Title 10, which intended the chairman to be the primary source of military advice to senior civilians on joint military requirements. Working group members with Joint Staff experience doubted this model's prospects for success, however, largely because the existing ACJCS's role is based more on personalities subject to change than on statute. With little precedent to guide it, the BG-N study team concluded that a more powerful statutory position and staffing was needed to achieve the future force advocate objectives.
- **Combatant commander, U.S. Joint Forces Command.** At its stand-up in 1999, USJFCOM was mandated to lead the U.S. military's transformation.¹¹ Considering he already leads the joint experimentation process and plays a critical role in joint concept development, commander, USJFCOM seems an ideal place from which to advocate on behalf of the future joint

11. "History of U.S. Joint Forces Command," <http://www.jfcom.mil/about/History/abthist1.htm>.

force. That said, two substantial barriers to its success exist. First, commander, USJFCOM is located in Norfolk, Virginia, and does not maintain a significant general officer and supporting field-grade officer presence in the Washington, D.C., area. Second, USJFCOM's mandate covers several distinct issue sets, including (1) serving the near-term operational role as the joint conventional force provider and trainer, (2) acting as commander, NATO Supreme Allied Command Transformation (ACT), and (3) assisting future joint force development as a transformer and experimenter. Its multiple personality has had serious consequences for USJFCOM's perceived effectiveness in each realm.

The BG-N 4 study team ultimately concluded that the commander, USJFCOM has the greatest potential to serve as the secretary's future joint force advocate. Effective implementation of this role will not be easy, however. The following steps will be critical:

- The president should approve a revision to the Unified Command Plan that gives the commander, USJFCOM the responsibility to advocate for the future joint force. This includes oversight of joint concept development, joint experimentation and training, and joint professional military education.
- The Congress should amend Title 10, Section 181 to add the commander, USJFCOM as a sixth statutory member of the Joint Requirements Oversight Council. Statutory amendment is vital to the long-term institutionalization of USJFCOM's role as the advocate for the future joint force. Nevertheless, absent congressional action, the secretary of defense can and should add the commander, USJFCOM to the JROC, which the current statute allows.
- The secretary of defense and the deputy secretary of defense should add the commander, USJFCOM to their Tier 1 governance forums and processes.
- The commander, USJFCOM should relocate his joint concept development and joint capabilities development functions to the Washington, D.C., area. His newly assumed joint professional military education functions should likewise be based in the national capital region. This move will facilitate his staff's role in major Tier 2 governance processes and better enable them to support the combatant commander in his substantial new Tier 1 governance position. Relocation may necessitate significant changes in staffing, the successful navigation of which should be among the combatant commander's highest priorities. The staff must have the right expertise from the military services, defense civilians, and external stakeholders to oversee joint experimentation, joint concept development, and joint professional military education. Absorbing staff from J-7 and National Defense University would provide a firm foundation for this critical unified future force expertise.
- The commander, USJFCOM should begin convening an all-combatant-commander forum for surfacing and discussing major future force issues and the desired trajectories of joint concept development and experimentation and joint professional military education.

The commander, USJFCOM will need to manage his diverse portfolio carefully. He must be routinely accessible for governance activities, much as the VCJCS currently is. It does not stretch the imagination to envision the short, 40-minute helicopter ride to Washington as an almost daily commute for USJFCOM's commander. His other functions, especially the time-intensive role of NATO ACT commander, should be devolved to USJFCOM's three-star deputy commander and other subordinates.

The BG-N 4 study team is not sanguine about USJFCOM's ability to manage this vast span of control. Should the above recommendations for USJFCOM's future joint warfighting advocacy fail to produce substantial rebalancing of customer and provider input, the president should consider dividing USJFCOM into two separate combatant commands: a USJFCOM that is located in the national capital area and focused on advocating for the future joint force, including fulfilling the NATO ACT role, and a new joint readiness and training command headquartered in Norfolk. Such a division would create regrettable seams between future joint force thinking and today's joint force readiness and training, but it may be the only way to provide sufficient four-star focus on the future.

Conclusion

Each day, individuals and organizations in DOD are contributing to the future joint force, helping to determine its objectives, missions, capabilities, and program elements. To date, the governance of this far-flung series of processes has been dominated by force providers at the JROC and civilian leadership in the DAWG. Both have welcomed combatant commanders to their tables when the latter feel compelled to participate. Yet this approach is insufficient for force development. The joint warfighter is the department's customer; its core governance model must as a priority represent the joint force's needs. Combatant commanders have much to contribute to force development, and DOD must improve their capacities and capabilities to do so. Beyond these basic resource and staffing improvements, DOD needs an individual dedicated to articulating and integrating the needs of the future force. This future joint force advocate must have a vote equal to that of force providers, whose critical expertise and innovations the department should continue to value.

Key Recommendations

- The president should designate the commander, USJFCOM as the advocate for the future joint force. Congress should add the USJFCOM commander as a statutory member of the JROC, and the secretary and deputy secretary of defense should include him in all key governance forums.
- The secretary should invest in improvements to all combatant commanders' force development expertise, access, and capacities.

8

IMPROVING FORCE DEVELOPMENT PROCESSES

As chapter 7 emphasized, the most direct and fruitful improvement to DOD's force development process would be a better balance between provider and customer input. Strengthened customer advocacy within the department's key governance forums and processes is critical to creating this desired balance. The BG-N study group also examined other potential force development improvements, which generally fell into one of the following categories:

- Getting better value out of the Joint Capabilities Integration and Development System (JCIDS).
- Improving linkages between the OSD-led acquisition process and the Joint Staff-led JCIDS.
- Strengthening the roles and capabilities of DOD's systems architects.
- Improving chances for decisive action late in program development.

This chapter addresses these issues and makes recommendations for DOD and congressional action.

Improving Joint Concepts and Capabilities Development Processes

Challenges

Today, the Joint Operations Concepts Development Process (JOpsC-DP) and JCIDS described in chapter 7, are among the most maligned efforts in the Department of Defense. Other than the past four years, JOpsC-DP has produced roughly 20 joint concepts, including joint operating concepts, joint integrating concepts, and joint functional concepts. A few joint operating concepts and the capstone concept is currently undergoing its third revision. Although the newest joint concepts represent significant improvement over their predecessors, these concepts have taken a significant amount of staff time to create and review, and some experts rightly question whether the current comprehensive family-of-joint-concepts approach dilutes focus on a more selective set of key emerging problems.¹ In addition, the resulting concepts too often offer little direct guidance to the capabilities development process, suffering from the same ambiguities and generalities that plague the glossy security strategies discussed earlier.

JCIDS has likewise generated significant work for both the Joint Staff and other DOD components. Its governing directive has been through three major revisions since its 2003 publication. At the time of this writing, it is once again under review by direction of the chairman of the Joint Chiefs of Staff.² The department's joint capability areas have been through at least two revisions

1. Lt. Gen. Paul Van Riper, USMC, Ret., "Concerns," e-mail to Gen. Peter Pace, Gen. Michael Hagee, and Gen. Pete Schoomaker, December 11, 2005.

2. "Appointment of the Joint Capabilities Integration and Development System (JCIDS) Reviewing Authority," CJCS Memorandum no. CM-0023-07, October 22, 2007.

since their creation in 2003 and still leave many unsatisfied with their mix of functional, mission-oriented, and domain divisions. JCIDS has also entailed repeated rounds of Functional Capability Board (FCB), Joint Capability Board (JCB), and JROC meetings, with relatively little joint warfighter representation. Even though capabilities-based assessments (CBAs) are a cornerstone of JCIDS, few CBAs have reached completion, and few have been joint creations. Moreover, their quality has reportedly been questionable.

In short, the fruits of these cumbersome processes are not very apparent. To date, no requirement has yet to travel from concept formulation within the JOpsC-DP, through the JCIDS CBA process to solution identification, and finally into the fielding of a new joint solution via the acquisition management system or other DOTMLPF change recommendations. The JROC's limited advisory role further constrains its effectiveness. Even if the JROC makes key decisions, it has few tools with which to enforce them in the PPBE process.³ Frustrations with the current state of future force development runs high. Some critics have even urged the department to “kill” JOpsC-DP and JCIDS and build a joint concept and requirements process from scratch. As with capabilities-based approaches overall, joint analytic capacity and expertise to execute the mandates of these two processes are shallow, which allows them to be continually marginalized.

Recommendations

The Defense Department should retain both the Joint Concept Development process and JCIDS. Despite these mechanisms' many warts, the basic intent behind their creation remains sound: better joint spade work early on yields better joint solutions. No expert or practitioner in the course of this study argued that joint concepts or joint prioritization of capability needs and gaps was frivolous. Indeed, both processes can offer providers and customers with early opportunities to engage one another in solutions development. With these benefits in mind, the BG-N study team concluded that drastic process reengineering would only exacerbate the start-up problems these two processes face and further delay substantial progress.

There are, however, several practical ways to improve these two critical processes. First, the secretary of defense should ensure that the newly empowered U.S. Joint Forces Command is focusing new concept development and concept revision on addressing the limited set of military problems on the secretary's high-priority list. All other concepts should either be eliminated or sidetracked to less manpower-intensive exploration and drafting procedures. The commander, USJFCOM and other combatant commanders, CJCS, USD(AT&L), DDR&E, USDP, and D(SEA) are all well positioned to advise the secretary of defense on various aspects of emerging challenges and should plan to do so. The secretary, supported primarily by the D(SEA) and commander, USJFCOM, will be responsible for ensuring the resulting issue set is discrete and focused. Second, the commander, USJFCOM must ensure that these fewer, more focused joint concepts can be linked clearly to downstream risk and resource trade-offs. This may argue for greater reliance on joint integrating concepts (JICs), which are intended to be narrower in scope and deeper in granularity than either joint operating or joint functional concepts. A focus on a selected number of JICs would allow for quicker and easier translation of concepts into DOTMLPF gaps and solutions.

As noted in chapter 3, the Defense Department and Congress must vastly increase their commitment to building joint analytic capacity. This includes investing in both an empowered USJFCOM, to ensure significant expertise in joint concept development, and in the director, J-8,

3. An exception is the set of jointness-related key performance parameters established by the JROC, which the Defense Acquisition Authority enforces on DOD components wishing to bring programs through the Defense Acquisition Board. This enforcement mechanism has succeeded in motivating DOD components to meet the JROC's key performance parameters, or KPPs, thus effectively aligning incentives.

to improve the staffing and expertise of the FCBs. These FCBs are a powerful model of horizontal integration and should be expanded to ensure sufficient civilian, service, combatant command, and, where applicable, interagency and international representation. The new D(SEA) creates for the J-8 a strong civilian partner to help link the requirements and resourcing worlds.

Investment in Joint Concept Development and JCIDS will only be worthwhile if their outputs matter. These processes feed the decisions of a JROC that is today both imbalanced and weak. A reformed and reconstituted JROC, as described in the previous section, is thus essential to improving the effectiveness of joint concept development and joint needs identification processes. The BG-N study team recommends that Congress modify Title 10 to require that all CJCS- or VCJCS-signed JROC memoranda (JROCMs) be provided to the deputy secretary of defense for his review.⁴ The deputy secretary could issue any JROCMs he approves as binding guidance to DOD components. This simple change could dramatically alter the seriousness with which the military services treat JROC decisions and constituent processes. At the same time, the approval mechanism retains for the deputy secretary of defense the ability to consult independently with relevant OSD staff and others on the advisability of the JROC's advice. This appropriately balances the chairman's role of providing military advice to the secretary with the OSD staff's role of advising the secretary and deputy secretary on resource allocation. It is also likely to drive the JROC to include senior OSD civilians in its deliberations in an effort to secure their support for proposed JROCMs. Realigning incentives in this fashion would significantly improve the secretary's prospects for effective governance.

Better Linking Acquisition and JCIDS

Challenges

For many years, the requirements and acquisition processes have suffered from poor linkages. The creation of JCIDS in 2003 and the coordinated revision of the DOD Acquisition System Directive series (DODD 5000) were designed, in part, to improve connectivity between the two processes. Yet substantial transaction costs persist in moving from JCIDS to major acquisition programs. A recent study of 23 major acquisition programs found that the average time spent moving from the requirements process to the acquisition process through an analysis of alternatives was 30 months. The average cost of each analysis, which collectively employ scores of defense contractors, was more than \$3 million.⁵

In addition, the current system undermines good governance by foreclosing trade-off opportunities. Because most programs jump from the JCIDS process to milestone B in the acquisition process, senior OSD leaders' decision points are often after acquisition programs are already well under way. Modifying or canceling these programs then becomes difficult and frequently costly.

Recommendations

DOD's pilot Concept Decision Initiative, including its Tri-chair oversight of a streamlined EoA, holds promise for hastening and improving the links between requirements and the full DOTM-LPF solution set, including new materiel acquisition. It is too soon to declare the Concept Deci-

4. The secretary of defense could also direct the chairman to do so without statutory change. The longevity of this approach is questionable, but if the practice begins early in an administration and is routine, it may ultimately be institutionalized, including via CJCS instructions and DOD directives.

5. Data obtained from Office of the Under Secretary of Defense for Acquisitions, Technology, and Logistics; available from the author upon request.

sion Initiative a success, but it should be lauded for attempting to infuse greater coherence and agility into an otherwise slow and disaggregated system. The Tri-chair process has served as CD's Tier 2 governance mechanism for piloting the rationalization of the requirements, acquisition, and PPBE processes. As described in chapter 1, the Tri-chair is led by the under secretary of defense (AT&L), the vice chairman of the joint chiefs of staff, and the director (PA&E), with a broad set of stakeholders represented. Like many DOD governance forums, the Tri-chair process is handicapped by the lack of a dedicated representative of the future joint force. Moreover, the Tri-chair is no longer active. It will be important to gauge whether the remaining, less formal mechanisms for integration can succeed.

The BG-N study team recommends that the USD(AT&L), VCJCS, and D(PA&E) or a new D(SEA) closely monitor the Concept Decision Initiative's progress over the next year. Success should be measured by:

- The process's ability to drive materiel and nonmateriel solutions.
- Time savings achieved from EoA to milestone B program selection.
- Cost savings achieved from EoA to milestone B program selection.
- The connectivity of selected solutions to the secretary's priorities.
- The routine consideration of technology and cost factors prior to milestone A.
- The value added by each stage of the experiment's process.

The next secretary of defense should evaluate these factors to determine whether to continue, expand, modify, or abandon the Concept Decision Initiative.

Strengthening Technology Expertise

Challenges

The BG-N Phase 2 study team noted the declining influence of the department's technology experts. Too much of OSD's time is spent on program management—which generally falls below the level of governance—and too little on architecture development. “Today,” the 2005 report concluded, “the Defense Department again needs its OSD-level acquisition organization to focus on being the strategic architect who identifies and invests in the technologies that result in significantly enhanced capabilities to meet 21st-century challenges.”⁶ In the years since the BG-N Phase 2 Report was released, OSD's acquisition focus has remained in program management. The Concept Decision Initiative, where OSD has sought to elevate technology assessment, is a notable exception.

Recommendations

The BG-N study team concurs with the Phase 2 Report's premise highlighted above, namely, DOD governance must better attend to systems architecture concerns. The BG-N study team finds, however, that enhancing the role of director, Defense Research and Engineering (DDR&E), as Phase 2 suggested, is insufficient, because a nominally elevated DDR&E, if not given access to and influence in major governance forums and processes, cannot effect change within DOD. Additionally, systems architecture expertise is now resident not only in DDR&E but also in portions of USD(AT&L), driven by its oversight of the Concept Decision Initiative.

6. Murdock and Flournoy, *Beyond Goldwater-Nichols*, p. 93.

The BG-N study team therefore recommends that DOD's chief systems architects, in DDR&E and elsewhere, assume a leading role in joint capability assessment, looking for technology gaps and key solutions in the near term, mid term, and long term. The secretary of defense should take the following actions to help ensure this role:

- Embed civilian technology experts on each Functional Capability Board.
- Assign the DDR&E a seat on the DAWG/DRB, Tri-chair (if in use), and other OSD-led councils.
- Create an advisory role for the DDR&E and the USD(AT&L) on the JROC.⁷

The secretary of defense should also charter a Futures Group, chaired by USD(P) and comprising at least the DDR&E; commander, USJFCOM; and USD(I).⁸ He should charge the group with the critical task of framing the security environment for the secretary, including at his quadrennial and annual governance meetings. The Futures Group should also play a considerable advisory role in the development of joint concepts and defense planning scenarios.

Improving Back-End Decisions

Even with the best front-end processes to select the right joint capability solutions, the secretary of defense may, from time to time, occasionally want to terminate a system in development or production. This could be because of changes in his or the president's priorities, changing exigencies within the strategic environment, technological or cost hurdles, or many other plausible risk assessments. Yet few accomplishments are more difficult or rare than terminating a major defense acquisition program. Secretary of Defense Richard Cheney famously ended the Navy's A-12 Avenger program in 1991, the most expensive contract termination in the department's 60-year history. Former secretary Donald Rumsfeld terminated the Crusader artillery system during his tenure, and the army terminated its own Comanche helicopter program at the same time, after receiving assurances that the funds would be reinvested in army aviation—but these examples are exceptions to the norm.

Challenges

Resistance to program termination, even when objectively warranted, comes from three primary sources. The first is likely to be the program manager, often within a military service. Not only are the services financially invested in their programs' success, creating sunk-cost considerations, the programs usually reflect their sense of self. External pressure to change that identity is typically unwelcome. Likewise, as advocates for their own systems, components are typically convinced of these systems' value to national security. Again, resistance to contrary external viewpoints will usually be strong. Compounding these cultural and sometimes strategic concerns is the prospect that a program's loss will not be replaced with new capability investment. Budget share is the DOD coin of the realm and program terminations can not only reduce a component's investment but also raise awkward questions about a component's strategic relevance.

The other two likely sources of resistance to program termination, the defense industry and Congress, are closely intertwined with the program manager and with each other. The defense industry's reasons for resistance to termination are obvious—loss of profit, predictability of income streams, and the potential need for business restructuring. Congress's resistance is slightly more complex. First, members may have constituent interests to consider. Ending or precluding systems

7. The FY 2008 National Defense Authorization Act may add USD(AT&L) as an adviser, in which case the next secretary of defense need only add DDR&E.

8. The Director of Net Assessment is another potential member of the Futures Group.

built in their districts could mean a loss of jobs, a reduced or angry electoral base, and withdrawn support from industry campaign donors. Second, members may have sympathies with a particular service or component, even when the system in question is not built in their districts. This allegiance can be driven by prior military experience or, more likely, by the presence of a major service installation in the member's district. Third, symbolically, most members of Congress are loath to appear weak on defense. Voting to kill a defense program risks being cast as being soft on national security.

Recommendations

Many of the barriers to routine program termination described above are inherent in the American political system. These are not subject to easy reform, nor would effective reforms necessarily be in the nation's best interest. Just as the best defense can be a good offense, then, the secretary of defense should invest most of his future force development energy in creating an outstanding front-end needs identification and solution selection process. The clear linkage of ends, ways, and means in a defense guidance, strong attention to execution and assessment, including performance management, and the creation and effective employment of a future joint force advocate are among the secretary's most important levers in this arena. Good governance of the Tier 2 JROC, acquisition, and PPBE processes are also imperative for preventing poor choices.

Nevertheless, the BG-N study team believes the secretary of defense can improve his odds of successfully terminating poorly planned or low-priority programs. The secretary of defense should develop a pilot project that creates a sizable funding set-aside, or wedge, in the recommended capability review process of PPBE. This wedge would be liquidated prior to budget submission. As such, it is an internal program and budget tool and not an element of the president's defense budget submission. The wedge would be designated as a priority reinvestment incentive fund. Components would compete for a portion of the funds by proposing major rescaling or termination of their own systems. Their proposals must include a potential reinvestment strategy in parts of their own program and a justification for the greater strategic value achieved. The fund should be used to explore nonmateriel solutions as well as potential materiel changes. The USD(AT&L) and D(SEA) should administer the program, working closely with the VCJCS. They should monitor the fund's execution and developing measures of success for the secretary's use.

Conclusion

A striking portion of DOD's governance resources—meetings, processes, and key senior leaders' attention—is dedicated to future force development. As discussed in chapter 3, this mid- to long-term focus is also found in private enterprise. Near-term challenges must of course be managed, but shaping the more distant future is a key element of good governance. Because creating the capabilities and attributes of tomorrow's force will surely be among any defense secretary's priorities, improving his ability to effect such changes is critical. The BG-N study team's proposed investments in joint capabilities-based approaches; creation of a powerful and dedicated four-star advocate for the future joint force; and attendant process changes to joint concept development, needs identification, and solution decision will enhance the secretary's governance powers.

Key Recommendations

- The Defense Department should retain both the JOpsC-DP and JCIDS processes. Drastic process reengineering would only exacerbate start-up problems and further delay substantial progress.
- The secretary of defense should ensure that the commander, USJFCOM, as the recommended advocate for the future joint force, is focusing new concept development and concept revision on the limited set of military problems in the secretary's priority list.
- The Defense Department and Congress must vastly increase their commitment to building joint analytic capacity by investing in both the newly empowered commander, USJFCOM, to ensure significant expertise in joint concept development, and in the director, J-8, to improve the staffing and expertise of the FCBs.
- Congress should modify Title 10 to require that all JROCMs be provided to the deputy secretary of defense for his review.⁹ The deputy secretary could issue JROCMs he approves as binding guidance to DOD components.
- USD(AT&L), VCJCS, and D(SEA) should closely monitor Concept Decision Initiative's progress over the next year to assess its merit.
- DOD's chief systems architects must assume a key role in joint capability assessment, looking for technology gaps and solutions in the near term, middle term, and long term.
- The secretary of defense should charter a Futures Group, chaired by USD(P), comprising at least the DDR&E; commander, USJFCOM; and USD(I), and charged with the critical task of framing the security environment for the secretary.
- The secretary of defense should create a program termination incentive fund, or wedge, in the recommended capability review process of PPBE.

9. The secretary of defense could also direct the chairman to do so without statutory change. The longevity of this approach is questionable, but if the practice begins early in an administration and is routine, it may ultimately be institutionalized, including via CJCS instructions and DOD directives.



BG-N 4 GOVERNANCE WORKING GROUP MEMBERS

Aileen Alexander

Chris Appleby

David Berteau

Mac Bollman

Mark Brilakis

Bill Caniano

Bill Cooper

Beth Cordray

Christopher Crowley

Jason Dechant

Amanda Dory

Ray DuBois

James Durham

Tom Ehrhard

Michael Fitzsimmons

Michèle Flournoy

Nate Freier

John Gordon

J. "Red" Herring

Pat Kelly

Jeff Kojac

James Kurtz

Christopher Lamb

Steve Lanza

Robert Larsen

Adam Marks

Jerry McGinn

Jim Miller

Don Novak

Gene Porter

Terry Pudas

Edgar Quintero

Jane Rathbun

Jay Rouse

Stephanie Sanok

Bob Scher

Tom Schoenbeck

Natalie Staff

John Tillson

Ted Warner

Richard Weitz



BG-N 4 GOVERNANCE SENIOR REVIEW GROUP PARTICIPANTS

David Berteau

Barry Blechman

Richard Danzig

Ray DuBois

Jack Gansler

Ed Giambastiani

John Hamre

Andy Hoehn

Jack Keane

Ken Krieg

William Lynn

Ted Warner

Larry Welch



NOTABLE DEFENSE REFORM EFFORTS, 1947-2007

1947	National Security Act
1949	Amendments to the National Security Act of 1947 that transformed the National Military Establishment into the Department of Defense
1953	Committee on DOD Organization (Rockefeller Committee) Eisenhower Reorganization Plan no. 6
1956	Hoover Commission
1958	Defense Reorganization Act of 1958
1960	Committee on the Defense Establishment (Symington Committee)
1972	Fitzhugh Report
1978	Defense Reorganization Study Project
1980	Defense Organization Study (leading to Reappraising Defense Organization)
1981	Defense Reform Caucus formed
1983	Defense Organization Project (CSIS)
1986	Defense Reorganization Act of 1986 (Goldwater-Nichols) President's Blue Ribbon Commission on Defense (Packard)
1993	Government Performance and Results Act The Bottom-Up Review Chairman of the Joint Chiefs of Staff Report on the Roles, Missions, and Functions of the United States Armed Forces
1995	Commission on Roles and Missions
1997	National Defense Panel Defense Reform Initiative Quadrennial Defense Review
2000	U.S. Commission on National Security/21st Century (Hart-Rudman) Business Executives for National Security Tail-to-Tooth Commission Report on PPBS
2001	Quadrennial Defense Review

- 2003 Project Equinox
DoD Management Initiative Decision 913 (Biennial PPBS)
CJCSI 3170 – Joint Capabilities Integration and Development System
Revised DOD Directive 5000 (Acquisition Processes)
Transformation Planning Guidance
- 2004 Beyond Goldwater-Nichols Phase 1 Report
Joint Defense Capabilities Study (Aldridge Study)
- 2005 Beyond Goldwater-Nichols Phase 2 Report
- 2006 Beyond Goldwater-Nichols Phase 3 Report
Quadrennial Defense Review Report
QDR Execution Road Map: DOD Institutional Reform and Governance

D SUMMARY OF BG-N 4 GOVERNANCE RECOMMENDATIONS

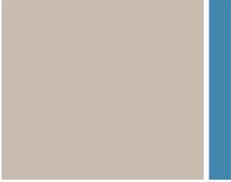
This chapter lists the major recommendations for BG-N Phase 4. The president, the secretary of defense, or the head of an executive branch department or agency, as appropriate, can implement those noted as requiring executive action. Implementation of the remainder requires or would be aided by congressional action, from providing additional budgetary resources to passing new legislation.

BG-N chapter no.	Major recommendation	Executive authority	Legislative authority
3	Congress should create a Quadrennial National Security Review (QNSR) as a means to balance capabilities and budgets across all instruments of national power.		X
3	Congress should pilot a competitive analysis precursor to the next QDR.		X
3	Congress should eliminate much of the detail in the standing QDR law.		X
3	The secretary of defense should prepare and distribute a singular, overarching selective guidance document to DOD components, which would address how key priorities should be translated through the many streams of Defense Department activity.	X	
4	DOD should continue its efforts to consolidate existing strategic guidance into two follow-on documents: (1) annual planning guidance to drive mid-term (five to six years) and long-term (10 to 15 years) processes, and (2) annual planning guidance to drive near-term processes and priorities (one to two years).	X	
4	To better reflect its reduced importance, the requirement for the chairman of the Joint Chiefs of Staff to produce the National Military Strategy should be eliminated from Title 10. Congress should thus direct the chairman of the Joint Chiefs of Staff to provide his annual risk assessment on the military aspects of implementing the defense guidance. The secretary of defense should be provided an opportunity to comment on this assessment after its submission.	X	

BG-N chapter no.	Major recommendation	Executive authority	Legislative authority
4	Invest significantly in joint analytic capabilities (tools, models, staff, technology, training) to actualize capabilities-based approaches.	X	
4	Create better and standardized processes and tools for linking near-term plans to resources via capabilities, especially at the combatant command level.	X	
4	Broaden the mandate of the Global Force Management Board to address security cooperation activities more fully and include special operations and strategic forces.	X	
4	Make force and financial data transparent in order to assess trades across components and functions.	X	
4	Create a finite set of joint capability portfolios that encompass all DOD missions and functions, tailoring and adapting the portfolios depending on intended use.	X	
4	Assign primary responsibility for capability portfolio assessment to a new director for strategy, execution, and assessment.	X	
4	Narrow the number and scope of joint concepts to several linked directly to key emerging mission areas identified as secretary of defense priorities; focus on joint integrating concepts.	X	
4	Focus joint experimentation resources on operationally gleaned feedback mechanisms and tie more closely to joint concept development, education, and training.	X	
4	Long-term (10 to 15 years): Continue to emphasize a robust set of defense planning scenarios for DOD components' use in testing concepts and forces beyond the Future Years Defense Program.	X	
5	Link key secretary of defense priorities to performance measures and hold principals and their organizations accountable for meeting measures.	X	
5	The secretary of defense should begin (or, with the exception of the first year, end) each year with a quarterly kickoff meeting focused on achieving a common vision and understanding among the governance team members.		

BG-N chapter no.	Major recommendation	Executive authority	Legislative authority
5	The secretary of defense should use the quarterly meeting process to assess and drive his highest priorities and to provide opportunities for external stakeholder input.	X	
5	Continue under secretary of defense for personnel and readiness efforts to systematize a performance-based approach to civilian compensation and promotion policy.	X	
5	Strengthen the use of goal-oriented performance measurement and assessment throughout the defense enterprise.	X	
7	The secretary and Congress should invest in improvements to all combatant commanders' force development expertise, access, and capacities.	X	X
7	The president should designate the commander, U.S. Joint Forces Command (USJFCOM) as the advocate for the future joint force. Congress should add the commander, USJFCOM as a statutory member of the Joint Requirements Oversight Council (JROC), and the secretary and deputy secretary of defense should include him in all key governance forums.	X	X
8	The secretary of defense should ensure that the commander, USJFCOM, as the recommended advocate for the future joint force, is focusing new concept development and concept revision on the limited set of military problems on the secretary's priority list.	X	
8	The secretary and Congress must vastly increase their commitment to building joint analytic capacity by investing in both the newly empowered commander, USJFCOM, to ensure significant expertise in joint concept development, and in the director, J-8, to improve the staffing and expertise of the Functional Capability Boards (FCBs).	X	X
8	Congress should modify Title 10 to require that all JROC memoranda (JROCM) be provided to the deputy secretary of defense for his review. The deputy secretary could issue JROCMs he approves as binding guidance to DOD components.	X	X

BG-N chapter no.	Major recommendation	Executive authority	Legislative authority
8	The under secretary for acquisition, technology, and logistics, the vice chairman of the Joint Chiefs of Staff, and the director for strategy, execution, and assessment should closely monitor the progress of the Concept Decision Initiative over the next year to assess its merit.	X	
8	DOD's chief systems architects must assume a key role in joint capability assessment, looking for technology gaps and solutions in the near, mid, and long term.	X	
8	The secretary of defense should charter a Futures Group, chaired by under secretary of defense for policy and comprising at least the director for defense research and engineering; the commander, USJFCOM; and the under secretary of defense for intelligence, and charged with the critical task of framing the security environment for the secretary.	X	
8	The secretary of defense should create a program termination incentive fund that allows services to capture lost resources and reapply them to more promising programs.	X	



ABOUT THE AUTHOR

Kathleen Hicks is a senior fellow in the CSIS International Security Program, where she focuses on U.S. national security strategy, planning and policy, Department of Defense (DOD) and interagency reform, and the roles and missions of the U.S. armed forces. She currently cochairs the Processes Working Group of the Project on National Security Reform. Ms. Hicks' recent CSIS publications include *Integrating 21st Century Development and Security Assistance*, with J. Stephen Morrison; *Planning for Stability Operations*, with Eric Ridge; and "A New Command for Africa" in *Global Forecast: The Top Security Challenges of 2008*, with Jennifer G. Cooke. Ms. Hicks joined CSIS after 13 years with the Office of the Under Secretary of Defense for Policy in the Office of the Secretary of Defense, where she served in numerous positions. As director for policy planning, she was responsible for overseeing the development and articulation of U.S. defense strategy and improving long-range policy and planning. During the 2005 Quadrennial Defense Review, she led investigation of military roles, missions, and organization issues, including those relating to the global war on terrorism, homeland defense, institutional governance and structure, and building partnership capacity. As director for homeland defense strategic planning and program integration, she developed DOD's first-ever strategy for homeland defense and civil support. She has also served as deputy director for resources and as assistant for strategy development. A former presidential management intern and career member of the Senior Executive Service, Ms. Hicks holds a master's degree from the University of Maryland's School of Public Affairs and is a Phi Beta Kappa and magna cum laude graduate of Mount Holyoke College. She is currently a doctoral candidate in political science at MIT and a member of the Council on Foreign Relations.

