



Center for a  
New American  
Security

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### THE URGENT NEED FOR DEFENSE REFORM

Chairman McCain, Ranking Member Reed, distinguished members of the Senate Armed Services Committee, thank you for inviting me to appear before you today. I applaud the committee's efforts to reexamine the landmark Goldwater-Nichols legislation nearly 30 years after its passage in 1986 and to consider a broad range of possible defense reforms to ensure that the United States maintains a military that is fully capable of underwriting our indispensable leadership role in a complex and tumultuous world. I am honored to have the opportunity to share my views with you today.

The perspectives I offer you today are informed by my experience serving as Undersecretary of Defense for Policy for Secretaries Gates and Panetta in the Obama administration, as Principal Deputy Assistant Secretary for Strategy and Threat Reduction in the Clinton Administration, and as a keen observer of the Defense Department from my perch at the Center for a New American Security (CNAS). My views are also informed by my experience as a Senior Advisor with the Boston Consulting Group over the past several years, which has afforded me the opportunity to better understand best practices used in the private sector to improve organizational effectiveness and efficiency. Based on this experience, I will confess a certain bias when it comes to defense reform: While I believe that reform is imperative and urgent, I am somewhat leery of abstract solutions in search of a problem. So I would encourage this committee to start with a fact-based diagnosis of the most critical problems and areas of poor performance in the Department of Defense today and then tailor your reform strategies to address them.

As you have heard from the many witnesses who have already testified before you, defense reform is a "target rich" environment. It would be impossible for any one of us to cover the full range of issues that I hope this committee will ultimately address in the course of its important work. So I will confine myself to identifying a handful of the most serious and consequential problems I hope you will grapple with, and offer some possible recommendations for you to consider.

### The Tyranny of Consensus and the Duplication of Effort Across Staffs

Recently, there has been a chorus of complaints about the growth of the National Security Council staff and the tendency of a larger NSC to micromanage aspects of policy development and execution that historically have been left to the departments and agencies, particularly the Defense Department. Such

*Bold.*

*Innovative.*

*Disruptive.*

complaints have been heard episodically since the Kennedy administration, and they do have some merit today. Equally important though less discussed, however, are the problems that plague the policy process *within* the Department of Defense.

Perhaps the most pernicious of these is what I like to call “the tyranny of consensus” that has come to dominate the Pentagon, particularly in how the Joint Staff (and sometimes the Office of the Secretary of Defense (OSD)) integrates diverse views from the Combatant Commands and the Services in bringing issues forward to the Chairman, the Secretary of Defense, and the NSC process. Reaching consensus – “focusing on what we can all agree on” – has become an end in itself in too many areas, from strategy development to contingency planning for operations to defining acquisition requirements. Getting the concurrence of a broad range of stakeholders on a given course of action too often takes precedence over framing and assessing a set of compelling options or alternatives to present to senior leaders for decision. This consensus-driven process also takes more time, undermining the Department’s agility and ability to respond to fast-moving events, let alone get ahead of them. While Goldwater-Nichols’ emphasis on fostering jointness in military operations has been absolutely critical to the success of the U.S. military over the last three decades, the emphasis on jointness in policy development is misplaced. In a bureaucratic culture in which consensus is king, the result is too often “lowest common denominator” solutions. The Chairman and the Secretary – and ultimately the President – would be far better served if the Joint Staff were to play more of an honest broker role, ensuring that a range of views and options, including dissenting views from the Services and COCOMs, are brought forward. (A good example of this is the deployment orders process in which any non-concurrence or dissent by an affected Service or COCOM is highlighted to the Secretary of Defense before he makes a decision.)

Policy development within DoD is further complicated and confused by lack of clarity on roles and responsibilities within the process and significant overlap between OSD, the Joint Staff and COCOM staffs, as well as the Services. The primary responsibility for the development of defense and national security policy in the Pentagon rests with the Undersecretary for Policy and her staff. Yet the Joint Staff has a large Policy shop of its own (the J-5) as does each of the COCOMs and Services. When I was USDP, I often found that there were more desk officers working a given policy issue in the Joint Staff and the relevant COCOM than I had working the issue in the Policy shop. This duplication of effort is unnecessary and has contributed to the growth of headquarters staffs. And the proliferation of policy staffs is but one example of unnecessary duplication in a functional area.

In recent years, the Joint Staff and the Office of the Chairman have grown to nearly 4,000 people – 10 times their size at the time of the DoD Reorganization Act in 1958. I believe the Chairman and the Department would be better served by a much smaller and more strategic Joint Staff that did not try to duplicate every function in OSD but rather focused on what should be its core function: enabling the Chairman to provide the best *military* advice possible to the Secretary of Defense and the President. The COCOM staffs, which now number nearly 38,000 military, civilian and contractor personnel have also burgeoned in size and function. Far beyond the lean operational warfighting headquarters originally envisioned in Goldwater-Nichols, they have become sprawling platforms for military diplomacy with nearly every country in the world and active participants in the Washington policy process. The appropriate functions and size of the COCOM staffs merit a fundamental reexamination with a view to reducing unnecessary duplication with OSD and the Joint Staff. (See discussion of streamlining and delayering bloated headquarters staffs across DoD below.)

## A Broken Strategy Development Process

The second problem I would highlight is that DoD's strategy development process is broken. At the heart of this process is the Quadrennial Defense Review (QDR), mandated by Congress. Although the need for a robust, rigorous and regular strategic planning process within the Department remains valid, the QDR routinely falls short of this aspiration. Over the years, the QDR has become a routinized, bottom-up staff exercise that includes hundreds of participants and consumes many thousands of man-hours, rather than a top-down leadership exercise that sets clear priorities, makes hard choices and allocates risk. In addition, the requirement to produce an unclassified QDR report tends to make the final product more of a glossy coffee table brochure written primarily for outside audiences, including the press, allies and partners, defense industry, and the Hill. What the Department needs, however, is a classified, hard-hitting strategy document that can be used to guide concrete actions, resource allocation within the Department, and engagement with key oversight partners in the Congress.

As a veteran of multiple QDRs, I would like to see Congress repeal the existing QDR legislation and instead require the Secretary of Defense to lead a top-down strategy development process that engages key leaders across the department in the development of a *classified* defense strategy during the first year of each Presidential term. (A good model for this exercise was the process used to develop the 2012 Strategic Guidance.) This classified strategy could be accompanied by the public release every several years of a shorter Defense White Paper to explain U.S. defense strategy to outside audiences.

## A Flawed Force Planning Process

Another critical but flawed process in the Department is force planning – the process used to translate the defense strategy into the forces and capabilities the U.S. military will need in the future. In principle, this process should inform both the size and nature of future force structure and the mix of capabilities in which the Department should invest.

The current process is led by OSD in partnership with the Joint Staff and with input from the Services and, to a lesser extent, the COCOMS. Typically, a set of future scenarios is developed against which alternative force structures and capability mixes can be tested. The results are then assessed to yield insights that should influence DoD's investment in future capabilities. Unfortunately, the value of the current force planning process is dramatically undercut by an overriding emphasis on consensus – that is, gaining the concurrence of every participant every step of the way, from the design of the scenarios, to the assumptions governing the analysis, to the nature of the insights drawn from the exercise -- such that parochial interests are often accommodated ahead of national security interests. Frequently, what results is yet another “lowest common denominator” consensus that does little to illuminate the tough tradeoffs and investment decisions the Department must make for the future.

In my experience, this approach is antithetical to what the Department needs to understand how best to design the force of the future: specifically, how new technologies and capabilities will change future warfare; how to develop new concepts of operation to prevail in more complex and contested operating environments; and how best to characterize and evaluate the key capability investment tradeoffs. What's needed is a process that creates a “safe space” in which alternative capability mixes,

concepts and solutions to a given scenario or problem can compete openly and fairly. This process should welcome ideas and proposals from the full range of stakeholders, including the Services, Joint Staff, OSD, COCOMs, and industry. Proposals should be subjected to rigorous gaming and analysis to identify those that deserve to be developed in more detail through experimentation and pilot programs. Such competition is critical to true innovation and to illuminating the key programmatic choices the Department must make today to ensure the U.S. military will have the capabilities it needs to succeed on the far more challenging battlefields of tomorrow.

Fixing this problem does not require legislative change. It is within the purview of the Secretary of Defense to empower the Deputy Secretary to run such a process in which alternative concepts and solutions to priority problems can compete in order to inform future force planning. But Congress does have an important role to play in at least three respects: first, ensuring that any acquisition reform protects the Secretary of Defense's role as the ultimate decider in determining the major requirements for needed military capabilities; second, ensuring that the federal acquisition regulation (FAR) is not used as a means to prevent industry from being at the table to suggest solutions and inform the debate about what is technologically possible; and third, being willing to tolerate a degree of failure that will inevitably occur during the experimentation process. Without this support from Congress, the key entities within the Department are unlikely to take the risks necessary to enable a healthy competition of ideas and true innovation.

### **Bloated Headquarters Undercut Performance and Agility**

In recent years, headquarters staffs – OSD, the Joint Staff, COCOMs, and the Services – have experienced substantial growth, even as the size of the active duty military has shrunk. Today, the Office of the Secretary of Defense has grown to more than 5,000 people, the Joint Staff to nearly 4,000, and the COCOM staffs to almost 38,000. As Arnold Punaro described in an earlier hearing, OSD, JCS, the Combatant Commands, and the Defense Agencies now account for some 240,000 people (excluding contractors) and \$113 billion – nearly 20 percent of the DoD budget. Some attribute this growth to the increasing complexity of the security environment and the proliferation of tasks assigned to the Department of Defense. While that may account for some growth, I suspect that other, more worrisome factors are to blame: namely, the natural tendency of bureaucracies to expand over time, a lack of role clarity and accountability that fosters duplication of effort across staffs (as described above), and lack of leadership focus and authorities to fundamentally rebaseline and reshape headquarters staffs and DoD infrastructure.

This problem is not just a matter of inefficiency; it is also an issue of effectiveness. In the private sector, bloated headquarters staffs have been documented to slow decision-making, push too many decisions to higher levels, incentivize risk averse behaviors, undermine organizational performance and compromise agility. The same is certainly true in government. What's more, in the DoD context oversized staffs consume precious resources that could otherwise be invested in strengthening our warfighting capabilities. Consequently, this problem should be addressed as a matter of priority.

Specifically, I would urge Congress to take the following steps:

First, strongly encourage the Secretary Defense to undertake a comprehensive and systematic effort to delayer headquarters staffs and agencies across the defense enterprise. This would involve a top-down

effort to reassess and redesign each layer of an organization according to an agreed set of design principles. Delayering focuses on reducing unnecessary bureaucracy and optimizing “spans of control” in order to improve the quality of decision-making, organizational performance and agility. It also tends to result in substantial savings. This effort should start with OSD and the Joint Staff, and extend to the COCOM staffs, the Service secretariats and headquarters staffs, and the defense agencies.

Second, In order to facilitate the delayering process, Congress should give the Secretary authorities he needs to reshape the civilian workforce for the 21<sup>st</sup> century and the ability to eliminate or consolidate organizations as needed. There is ample precedent for this: After the end of the Cold War, Secretary of Defense William Perry was given a broad range of authorities, including Reduction in Force authority, Base Realignment and Closure authority, and meaningful retirement and incentive pays, to reshape the DoD workforce and infrastructure amidst a substantial drawdown.

Third, Congress should direct the Secretary to commission a study by an outside firm with both deep experience in management best practices in the private sector and some familiarity with the unique requirements of the defense enterprise to assess the opportunities for integrating or streamlining overlapping functional staffs within the Department. It should also give the Secretary the flexibility to implement any worthwhile recommendations. Several questions are worth asking in this regard: Do the Service Secretariats and Service Chiefs’ staffs need to be separate, or would more integrated civil-military Service headquarters perform better? Does it make sense for both OSD and the Joint Staff to have parallel organizations devoted to overseeing policy, personnel, intelligence, logistics, force analysis, budgeting, and other functions? Does it make sense to have separate transportation and logistics organizations (i.e, Transportation Command and the Defense Logistics Agency) when virtually every leading firm in the private sector has integrated these functions? No doubt there are other areas worthy of assessment as well. In each case, the key question should be whether there are proven approaches that could reduce unnecessary duplication and yield better outcomes for the Department at lower cost.

Fourth, Congress should ask the Secretary of Defense to examine alternative concepts for structuring the Combatant Commands. Specifically, the Secretary should be asked to consider: 1. Reducing the number of COCOMs through consolidation and/or elimination -- at a minimum, consider recombining EUCOM and AFRICOM on one hand, and SOUTHCOM and NORTHCOM on the other; 2. Streamlining sub-commands and service components; and 3. Rethinking the size and composition of COCOM staffs to reduce unnecessary duplication with the Joint Staff, OSD and defense agencies.

### **Failure to Provide the Secretary of Defense with Authorities to Manage Effectively**

Last but not least, Congress has not given the Secretary of Defense the authorities necessary to manage the defense enterprise effectively and efficiently. In previous periods of drawdown, such as after World War II, the Vietnam War, and the end of the Cold War, Congress provided the Secretary of Defense with the authorities and flexibility necessary to reshape the civilian workforce, reorganize parts of the Department, and right-size DoD’s infrastructure. Despite severe budget cuts and a mandate to reduce the size of the so-called “fourth estate,” however, Congress has denied recent Secretaries many of the authorities that past Secretaries were granted, such as Reduction in Force authority, meaningful levels of early retirement and voluntary separation incentive pays, and Base Realignment and Closure

authority. Furthermore, not providing such authorities has incentivized some negative institutional coping behaviors, such as: letting go of critical personnel one would otherwise wish to retain; hiring contractors to make up for gaps in key functions (due to lack of flexibility to shift and hire career staff as needed); long hiring freezes that prevent new blood from coming into the Department even as it approaches a massive retirement of Baby Boomers; and maintaining staff in excess infrastructure to “keep the lights on” when they might be better employed elsewhere.

In addition, this committee has imposed restrictions on incoming DoD political appointees that make it virtually impossible to recruit people with the kind of business and management expertise the Department desperately needs to improve its performance and efficiency. Whereas political appointees in many other agencies are allowed to avoid potential conflicts of interest by placing their financial assets in a blind trust and/or recusing themselves from certain types of decisions, the SASC requires DoD nominees (and their immediate family members) to sell off any assets or equity they hold in any company that does business with the Department of Defense. While well intentioned, this rule in practice has stymied the Department’s ability to recruit the talent it needs to lead a much-needed transformation of its business processes. For many in the private sector, the requirement to fully divest is akin to committing financial suicide in order to serve as a political appointee. If my understanding is correct, it is within this committee’s power to revise this rule and adopt the blind trust and recusal standard that has served other agencies well. I would implore you to do so before the 2016 Presidential transition so that the next administration will be able to recruit more leaders from the private sector to help lead and transform the defense enterprise.

Furthermore, despite repeated testimony on the part of the Service Chiefs that an estimated 20% of the current defense infrastructure is excess to military need, despite numerous GAO reports assessing that previous Base Realignment and Closure (BRAC) rounds have saved billions of dollars, and despite repeated requests from the last several Secretaries of Defense, Congress has not given DoD the authority to conduct another round of BRAC. The time for studying this issue has long past; what’s needed now is Congressional action. While I understand the difficult politics surrounding base closures and the potential impact on local jobs, I lament the fact that billions of dollars are being diverted from strengthening military readiness and investing in critical warfighting capabilities in order to sustain facilities and bases the military no longer needs or wants. Every dollar we spend on unwanted infrastructure is a dollar less to support the men and women who serve in harm’s way.

In sum, I would strongly urge this committee to lead the charge to provide the Department with the flexibility and authorities described above.

## Implications for Revising Goldwater-Nichols

The obvious question is whether any of these problems requires a change to the core elements of the 1986 Goldwater-Nichols legislation.

While I support this committee’s recent efforts to empower the Service Chiefs and hold them accountable for improving performance in the execution of certain acquisition programs, it is imperative that the Secretary of Defense remain the ultimate decider in determining what I call the “Big R” requirements – that is, what capabilities DoD ultimately buys for the joint force. Several examples serve to remind us of times when the Secretary’s intervention was critical to ensure that warfighter

needs rather than service parochialism drove key procurement decisions (e.g., the decision to increase investment in smart munitions after the Gulf War, or the rapid procurement of MRAPs and UAVs for the wars in Iraq and Afghanistan).

Nevertheless, I believe that Goldwater-Nichols got most of the fundamentals right. Most importantly, the legislation made the Secretary of Defense the ultimate decider on all matters within the purview of the Department. In my view, a fully empowered Secretary is absolutely critical to ensuring strong civilian control of the military in our vibrant constitutional democracy. In addition, I believe that Congress was right in making the Chairman of the Joint Chiefs of Staff the senior military advisor not only to the Secretary of Defense but also to the President as Commander in Chief. The ability of the Chairman to offer independent military advice to the President, unfettered by any political appointee, is critical to ensuring the President has the benefit of the full range of perspectives, including dissent, when making national security decisions. This is particularly important when young Americans are being sent into harm's way. As our own history suggests, suppressing military dissent can have dire consequences for the nation, whereas ensuring dissent can be heard by the Commander in Chief tends to improve the quality of the decisions made.

That said, I think it would be a mistake to insert the Chairman into the operational chain of command, as some have suggested. Giving the Chairman decision-making authority over COCOMs and Services would come at a high cost – essentially reducing the Secretary of Defense's role and decision-making authority commensurately. Decisions about where to deploy forces and whether and how to conduct military operations are fundamentally decisions about where, when and how the United States should use its power and put the nation's blood and treasure on the line. In a democracy, it is imperative that such decisions be made by civilian rather than military authorities.

## Final Thoughts

It is hard to remember a time when the need for defense reform was more acute. The growing challenges the U.S. armed forces face in protecting American interests, values and allies in the coming years are truly daunting: the spread of the Islamic State and other violent extremist groups, the growing chaos in the Middle East, the resurgence of a more aggressive Russia, the rise of an emboldened, more capable and more assertive China that is challenging the rules-based international order in Asia, persistent threats from states like Iran and North Korea, the continued proliferation of deadly technologies to both state and non-state actors, and the emergence of new threats in the cyber and space domains. With strong leadership on defense issues in both the Senate and the House, a sitting Secretary of Defense who is willing to pursue fundamental reforms, and a transition to a new presidential administration on the horizon, now is the time to develop and begin to implement a plan of action to ensure we get the most out of every taxpayer dollar invested in defense. I am glad to see that the members of this committee, Republican and Democrat, share this sense of urgency.

But as you assess various options and begin to develop a plan, I would urge you to heed three notes of caution. First, it is imperative that we think through the second and third order effects of any changes proposed. In the balance hangs the capabilities and performance of the finest military the world has ever known and our ability to secure our nation growing forward. Great care should be taken to hear the full range of views and consider the unintended consequences.

Second, based on my experience in both government and the private sector, I would warn against assuming that every problem can or should be solved by organizational change. Too often we jump to redrawing the lines on an organizational chart when a more powerful solution might lie in clarifying roles and responsibilities, better aligning authorities, or strengthening incentives and accountability to change behavior.

Lastly, however successful future reform efforts may be, they may or may not yield enough cost savings to bring U.S. defense spending to the levels required to protect this nation given the nature of the security environment we face. It is my hope that, in addition to considering critical defense reforms in the coming year, Congress will also consider how to establish more predictable and robust levels of defense spending over the coming 5-10 years. This period of investment could not be more important: it will determine whether the United States can maintain its technological edge and its military superiority over increasingly capable state and non-state actors who are determined to constrain our ability to project power and maintain freedom of action in regions vital to our national security. The Department of Defense simply cannot afford to return to the type of budget uncertainty that has wreaked havoc in recent years – living within the constraints of Continuing Resolutions, under the threat of sequestration, and with the risk of government shutdowns. The costs of this uncertainty are enormous and they have challenged the Department's ability to set and sustain a strategic course. In short, reaching a comprehensive budget deal that includes all of the obvious elements – tax reform, entitlement reform, and smart investment in the drivers of U.S. economic vitality and growth – is not only an economic imperative, it has become a national security imperative.

Finally, I hope that through the dialogue that this committee is fostering, the Congress and the Executive branch will be able to partner more closely to make the hard choices and undertake the reforms that will be necessary to ensure that we keep faith with the men and women who serve in the best trained, best equipped fighting force in the world. They deserve nothing less.