

SENATE ARMED SERVICES COMMITTEE HEARING ON DEFENSE
MANAGEMENT CHALLENGES AND OPPORTUNITIES

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Chairman Reed, Ranking Member Inhofe, Members of the committee, thank you for inviting me here today to discuss the critically important issue of defense management challenges and opportunities. It is always an honor to appear before the Senate Armed Services Committee – and it is a particular privilege for me to see all of my good friends here again. As always, the views that I express are entirely my own, and should not be interpreted as reflecting any position of my employer, the Institute for Defense Analyses (IDA).

The Department of Defense is filled with hard-working, dedicated public servants, but they serve in a complex and often inefficient organization. DOD not only runs the most powerful military and the largest acquisition system in the world, it also owns and operates extensive systems of depots, arsenals and warehouses, worldwide transportation and communication networks, multiple hospital and school systems, and several chains of grocery stores, department stores, and restaurants. The Department even runs its own law enforcement and judiciary systems. As I have previously written, DOD is in many ways more comparable to an economy than to a company.

It may be tempting to look at all of this infrastructure as wasteful overhead, but it serves vital functions for the warfighter. For example, the Defense Logistics Agency (DLA) is the linchpin of a logistics system that enables the U.S. military to project power on a worldwide basis. The Defense Information Systems Agency (DISA) is responsible for critical IT infrastructure without which the Department could not run its command, control, and communications systems. The Defense Finance and Accounting Service (DFAS) makes sure that our troops get paid, and the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) ensure that contractors deliver the products that they promise and are not overpaid. Without their work, our warfighters simply would not have the support that they need to protect the United States and its interests.

At the same time, this infrastructure is expensive to run. To keep our Armed Forces up and running on a day-to-day basis, each military department and defense agency has its own bureaucracy, as does every base, installation, command, office, program, and activity. Organizational structures and actions are governed by hundreds of thousands of pages of charters, regulations, instructions, directives, and other guidance documents—many of which are inevitably out-of-date because the process for updating them is so cumbersome and time-consuming. The costs of running the most massive and complex organization in the world are immense – and so are the consequences of mismanagement. In the Department of Defense, even relatively minor organizational and process inefficiencies can easily impact dozens of organizations, thousands of employees, cost tens of millions of dollars, and undermine the effectiveness of key warfighter support functions.

Addressing management inefficiencies is hard work because, surprisingly enough, the DOD budget does not have a line item for waste. Inefficiency is embedded in thousands of different work processes and organizational structures throughout the Department. In my book on defense management reform, I describe three major reform efforts – acquisition reform, civilian personnel reform, and financial management reform – that have been going on not just for years, but for decades. There is no perfect “solution” to any of these problems, because the systems are too complex and there are too many competing priorities. But there is better and worse, and it is important to keep trying to get better.

As tempting as it may be to seek “quick wins” and immediate savings from management reforms, there are few shortcuts, and easy solutions rarely result in long-term improvements. Across-the-board reductions cut good programs and bad programs alike, adding to bottlenecks, slow-downs and backlogs. If you really want to root out waste and inefficiency, you have to go through the painstaking process of reviewing processes and structures one step at a time. Since the most obvious improvements are likely to be identified first, it gets harder and harder as you go. Defense dollars may be spent in large buckets, but savings are typically identified and implemented in small spoonfuls.

In your hearing letter, you specifically asked that I address the use of data and metrics for defense management purposes. In their book *How Much is Enough*, Alain Enthoven and Wayne Smith state that quality data and analysis are a foundation of strong leadership, enabling senior decision makers to challenge, question, propose, and resolve disputes instead of “merely serving as a referee or

helpless bystander.” However, good data is hard to come by in the Pentagon and the metrics applicable to management decisions are rarely simple.

In the area of cost, a good analysis needs to consider both direct and indirect costs, and both current and future costs. Measures of benefits can be even more complex, because of the wide variety of quantifiable and unquantifiable factors that can impact the effectiveness of warfighter support systems. For this reason, I do not believe that there is any simple set of measures that can show whether defense management reforms have been successful. DOD management decisions must frequently balance competing priorities, making them difficult to assess even in those cases where data are available.

In 2018, I led an IDA project to develop a set of metrics that could be used to monitor the personnel and readiness enterprise of the Department. We determined that the simplest metrics for a personnel system are quantity, quality, and cost: is the system producing the right number of people with the right skills and capabilities to do the job? However, any reasonable metrics system would not stop with current measures, but would also consider the pipelines that deliver future capabilities: recruiting, training and development, and retention. And if the Department wanted to make decisions on the myriad programs and activities that contribute to these pipelines, it would need metrics on pay and benefits systems, training and education programs, leadership and command climate, diversity and inclusion, destructive behaviors like sexual assault and extremist behaviors – not to mention the psychological well-being, family well-being and financial well-being of Service members.

The Department collects data that is relevant to all of these issues – but it has not devoted the time and resources needed to effectively curate and manage all of this information. As a result, far too little data is readily available to support management decisions. If I can put in a little sales pitch, that is why the Department needs organizations like the Institute for Defense Analyses, which can help sort through complex sets of data and focus issues for decision makers. It is also why successful reform requires both improved data management and strong, well-informed leaders in key positions.

Moreover, most of the hard work of management reform needs to be done by the DOD officials who actually run the system, not by the Congress. In a 2019 *War on the Rocks* article, I offered ten rules for defense management reform. One of my favorites is: “Legislation alone doesn’t solve anything.” I went on to

explain: “If legislation alone could solve problems, we would have no more sexual assault in the military and no more drugs crossing the southern border. The Department of Defense would have had an auditable financial statement 30 years ago, and legislated price caps on aircraft carriers and other major weapon systems would have made cost overruns a distant memory.”

So, what *can* Congress do to help? I see four buckets of potentially helpful actions: Congress can provide authorities, it can set priorities, it can provide funding, and it can conduct oversight. I will discuss each of these buckets briefly.

First, Congress can help the Department address management problems by providing it with new tools. In the personnel arena, the direct hiring authority enacted by this committee for defense civilians over the last decade has been a game-changer for the Department, enabling it to access critical skills that previously appeared to be out of reach. The flexibility that this committee provided a few years ago for the officer promotion and talent management systems could be equally revolutionary if it is effectively implemented. Similarly, in the acquisition arena, the creation of Middle Tier Acquisition authority and the expansion of Other Transaction authority provide the Department important new tools to access new technologies and non-traditional suppliers that can be enormously productive when they are used wisely.

Second, Congress can set priorities. Most legislation does not create new tools. Instead, it gives direction: create a new position, develop a strategic plan, achieve this objective, solve that problem. Legislation of this kind can also be helpful if it focuses DOD’s attention on an important problem or issue that might otherwise be neglected. Early in my time on the Armed Services committee staff, Senator Warner wrote legislation that helped focus the Department’s attention on the emerging importance of UAVs. More recent legislation has helped focus the Department’s attention on a range of issues from sexual assault to cyber policy.

The problem with this type of legislation is that it becomes less effective when it is overused. In my book on *Defense Management Reform*, I wrote that when I was writing legislative provisions “I did not fully appreciate—and I do not think that the staffs of the Armed Services committees appreciate today—how the volume of these provisions undermines their effectiveness. Senior DOD officials have limited bandwidth and cannot reasonably be expected to devote a significant personal effort to the implementation of more than a handful of legislative

provisions a year. The lesson that the committees have yet to learn is that a focus on everything can often be the same thing as a focus on nothing.”

Third, Congress can provide funding. Management reforms are often viewed as a “cash cow” – a source of funding for other defense priorities. However, the dirty little secret is that real improvement often requires up-front investment. For example, improved data and metrics are likely to produce better decision-making and more efficient and effective warfighter support systems in the long-run, but cannot be achieved without significant up-front investment not only in data systems and platforms, but also in data science and data curation. Budgets are about priorities. Congress can enact all of the management reform legislation that it wants, but if it isn’t willing to put up money, the real message is that it isn’t a priority.

Finally, Congress can conduct oversight. When I first came to work for Senator Levin in 1987, we never tried to push a piece of legislation without holding at least one hearing on it first. Senator Glenn must have held ten hearings on the defense audit alone. Officials all over the Pentagon watch how the Secretary of Defense spends his time, because they know that the commitment of time reflects priorities. The same is true of you. They pay attention when you call them to account. Congress cannot manage the Pentagon, but it can show the Department that it believes management reform is important. This hearing is a good step in that direction.

That concludes my opening statement. I look forward to your questions.