



U.S. Department of Defense
Office of the Assistant Secretary of Defense (Public Affairs)

Speech

Statement for the Record on DoD management

As Delivered by Deputy Secretary of Defense Gordon R. England, Washington, DC, Tuesday, June 26, 2007

**Statement of the Honorable Gordon England
Deputy Secretary of Defense
Before the House Armed Services Committee
26 June 2007**

Chairman Skelton, Representative Hunter, distinguished members of the House Armed Services Committee, thank you for the opportunity to discuss the management processes of the Department of Defense and specifically to comment on key provisions of the proposed legislation, H.R.1585.

With me today are Principal Deputy Under Secretary of Defense (Comptroller) Dave Patterson, and Deputy Under Secretary of Defense for Business Transformation, Paul Brinkley. The three of us look forward to this discussion, and to using it to further the mission of the Department of Defense.

The comments in this statement are ordered to correspond to the relevant sections of the proposed legislation, namely:

- (1) Management System of the Department of Defense (Section 906);
- (2) Joint Requirements Oversight Council, additional duties relating to core mission areas (Section 944);
- (3) Presentation of future years mission budget by core mission area (Section 946)
- (4) Sections dealing broadly with the quadrennial roles and missions review, core competencies and review of capabilities (Sections 941, 942, 943).

Item 1: Management System of the Department of Defense

The Department appreciates the Congress' interest and willingness to provide legislative assistance to help the Department implement more effective and efficient processes. However, in my judgment, the Department today is overburdened with rules, regulations and legislation that limit effectiveness. As you are aware, the Department is a large and extraordinarily complex institution with over 3 million military and civilian employees and an asset base of one trillion dollars, with installations in every state and around the world.

While it may appear counterintuitive to some, an organization of this size and scope needs to have a high degree of management flexibility and largely decentralized

operations with authorities and responsibilities distributed throughout the enterprise, down to the lowest effective management level. Mandated organizational constructs tend to impede rather than enhance organizational effectiveness.

The key management issue to be addressed in the Department is not the organizational structure per se – rather, it is how to ensure integration among otherwise diverse operations. Over the past several years, the Department has taken advantage of existing authorities to put horizontal integrating elements into place. The Department appreciates the flexibility reflected in H.R. 1585, Section 906, which allows the Secretary to assign management duties, at the Under Secretary level or above, as appropriate. In our judgment, the intent of the legislation is being accomplished. In general, it is most helpful if the Congress focuses on outcomes, rather than prescribing organizational methods. Further statutory language would not achieve the outcomes that the Congress and the Department both desire.

Allowing a future Secretary of Defense to adjust the organization to fit his senior leadership team is infinitely preferable to forcing the team to fit the organization. Leadership positions in government organizations tend to have high turnover due to the inherent nature of political appointments, with the added issue in DoD of regular programmed turnover of the military leadership. To accommodate this personnel rotation, the DoD organization needs to be flexible and adaptable. Prescribing specific legislative attributes would run counter to this objective.

The specific goals of more agile and effective management include improving support for the warfighters – getting them what they need, where they need it, when they need it, anywhere in the world; improving strategic decision-making through more inclusive processes; and reducing the cost of business operations ... thus saving the American taxpayer money. Effectiveness and efficiency are the fundamental objectives for DoD management.

With the management flexibilities already inherent within the Department, the current management team has been able to significantly improve the operation of the Department by building horizontal interfaces and processes among different operating elements. Some of those processes are herein briefly described, since they largely accomplish many of the objectives being sought by the House and the Senate, the Government Accountability Office, and outside advisory groups.

The Department makes use of a highly inclusive governance process for articulating and updating its strategic vision, for determining the reorientation of capabilities and approaches required to meet it, and for refining budget priorities. That process includes the governance body, the Deputy's Advisory Working Group (DAWG), which was established during the 2006 Quadrennial Defense Review (QDR) process. The DAWG now meets twice a week, under the chairmanship of the Deputy Secretary and the Vice Chairman of the Joint Chiefs of Staff, and includes senior civilian and military leaders. Supporting the DAWG is a federated system of boards and committees, chaired by senior civilian and military officials, each focused on a broad functional area.

The Department's overall management team participates in the direction and integration of DoD's integrating processes. For example, the Director of Program Analysis and Evaluation (PA&E) also serves as the secretary of the DAWG and organizes the DAWG agenda and schedule. The Director of Administration and Management (DA&M) has enhanced the Department's capabilities to monitor the progress of major DoD initiatives and priorities. In addition to tracking implementation of the 2006 QDR, which is reported to the Congress on a regular basis, the DA&M monitors and helps provide integration among key priorities and milestones for thirteen DoD components. Those initiatives include, for example, the joint Department of Defense – Department of Veterans Affairs assessment of healthcare support for our wounded warriors, and the Secretary of Defense's action plan to implement recommendations made by the Commission on the National Guard and Reserves.

In addition to these discrete roles, the Directors for PA&E, and for Administration and Management, along with the Principal Deputy Under Secretary for Policy, the Under Secretary for Acquisition, Technology and Logistics, the Under Secretary Comptroller, and the Director, Joint Staff, work closely with me to establish the overall leadership agenda for the Department and to manage the priorities, plans and schedules for work to be jointly accomplished by the Office of the Secretary of Defense and the Joint Staff, Military Departments, and Combatant Commands.

This integrated team approach also includes the introduction of "joint capability portfolios", focused on the system level, rather than the level of individual platforms. The four portfolio test cases to date are providing senior decision-makers with greater visibility, and better ability to propose trades and make investment decisions, across portfolios of related options.

The Defense Business Systems Management Committee (DBSMC) meets monthly, under my chairmanship, to set corporate-level policy and programmatic priorities for business systems modernization, and to monitor and direct progress. The significant overlap of DBSMC and DAWG membership helps assure close linkage between strategic and budgetary priorities, and the systems designed to help achieve them. Business management is federated – the DBSMC provides data standards and business rules to ensure interoperability. Each component, in turn, manages its own unique mission-support requirements – developing strategies, schedules and budgets for business transformation, and making sure they are integrated into the broader enterprise effort.

In October 2005, the Business Transformation Agency (BTA) was established, with the mission to modernize, streamline and coordinate business transformation efforts across the Department. Today, the Office of Business Transformation and the BTA integrate the work of the OSD functional domains on a day-to-day basis, and encourage further collaboration across the Department by providing visibility on enterprise-wide efforts. Additionally, these organizations work closely with similar business

transformation 'engines' in the various components, to ensure alignment and integration.

The Department's Business Enterprise Architecture (BEA) provides the 'blueprint' or framework – a set of processes, data, data standards, business rules, operating requirements, and information exchanges. The BEA focuses on enterprise-level business priorities – those likely to have the greatest impact. Over time, the framework and products developed will be extended to the entire business mission area. The BEA is regularly updated – the latest version was released in March 2007.

The Enterprise Transition Plan (ETP) provides the roadmap for making progress on the basis of the BEA framework – including plans, schedules, budgets, metrics and milestones. Like the DBSMC-led governance structure, the planning effort is federated – components develop their own transition plans, which are then incorporated into the DoD-wide ETP. The most recent ETP was issued in September 2006, and the Department provided an update on progress to the Congress in March 2007.

Rigorous financial management is a critical component of business management in general. The Department has launched an aggressive effort – the Financial Improvement and Audit Readiness Plan (FIAR) – aimed at achieving an unqualified audit opinion. The approach is incremental – preparing the Department for audit while institutionalizing improved systems for doing so.

As of March 2007, Department had achieved 72% of all the key milestones scheduled to be completed in the FIAR plan. The goal is that by 2010, 72% of the Department's assets and 79% of its liabilities will receive 'clean' audit opinions. That may seem like a long lead time for change, compared to industry, but it is actually quite ambitious given the size of DoD's asset base – over \$1 trillion, more than double the combined total of \$480 billion for IBM, Wal-Mart and Exxon/Mobil.

The Department's most valuable resource is its people – the key to success for any management structure or process. For the civilian workforce, the Department is implementing the National Security Personnel System, linking pay to performance and importantly, connecting individual job efforts more explicitly with organizational and Departmental goals and strategic vision.

Item 2: Joint Requirements Oversight Council, additional duties relating to core mission areas

Drawing on the recommendations of a 2005 Defense Science Board (DSB) study, the House proposal includes the addition of the Under Secretary of Defense for Acquisition, Technology and Logistics, and the Director of the Office of Program Analysis and Evaluation, as permanent members of the Joint Requirements Oversight Council (JROC). The Vice Chairman of the Joint Chiefs of Staff, Admiral Ed Giambastiani, has previously addressed this issue with Congressional staff, and his views, which reflect those of the Department, are summarized herein.

While the JROC relies upon the advice of these important civilian leaders, codifying their participation as permanent voting members runs counter to the Council's principal purpose of providing independent military advice regarding the validation of warfighter requirements. Since the 2005 DSB study, the Department has modified the JROC charter to include these and other civilian leaders, and the Combatant Commanders, as advisors. Since then, nearly 70% of JROC meetings have included OSD senior leaders in partial or full attendance.

The Department recognizes the importance of prioritizing desired capabilities, estimating costs, and considering technology maturity earlier in the capability-building processes, as intended by the House bill. The intent of the draft legislation is already being accomplished in a variety of ways. For example, the JROC prioritized capability gaps identified by Combatant Commanders, and that effort, in turn, resulted in the reallocation of over \$5 billion of FY 2008 proposed funding prior in the President's budget proposal. Additionally, the "Most Pressing Military Issues", which draw substantially on the Combatant Command Integrated Priority Lists, are compiled as priorities to focus JROC efforts. The Department will continue to build upon this effort to provide a more comprehensive prioritization of joint capabilities for decision at the Deputy's Advisory Working Group.

The fundamental role of the JROC is to solicit the military advice of the nation's senior warfighters, who are responsible for joint warfighting. The proposed legislation would disrupt the current checks and balances that exist to ensure that the Chairman of the Joint Chiefs is receiving the best possible, independent military advice to fulfill his obligations to the Secretary of Defense, the National Security Council, the President, the Congress, and the Nation.

Finally, the proposed House language would require Combatant Commanders to provide biannually an extended planning annex regarding capabilities for each OPLAN and CONPLAN, with the first submission due 90 days after enactment of the NDAA. This timeline is not realistic, and it would force our premier warfighters to focus on resource allocation issues, instead of fighting and winning the nation's wars. A more appropriate approach would be to incorporate this assessment during each plan's biannual review.

Item 3: Presentation of future years mission budget by core mission area

Since 2006, the Department has been identifying "capability portfolios" as a means of better explaining to Congress and the American people how it is meeting new and emerging requirements. For Fiscal Year (FY) 2009 and forward, the Department plans to prepare a summary justification book, transmitted by the Secretary to the Congress, which presents the Department's funding request in three different ways: 1) capability portfolios, building on the four test cases currently underway, 2) Military Services, and 3) appropriation titles. This book will summarize the Department's entire request, placing it in context with US National Security strategy. Capability portfolios will be

cross-correlated to the Quadrennial Defense Review (QDR). The Department's progress implementing the QDR and any future strategies will be measured through metrics, which will be reported in the Secretary's summary to Congress. It is the Department's intent to oversee the accomplishment of its mission through capability portfolios and to associate clear, objective performance measures with its missions and activities.

Item 4: Sections dealing broadly with the quadrennial roles and missions review, core competencies and review of capabilities

The proposed quadrennial roles and missions review would unnecessarily duplicate existing law that provides for the Quadrennial Defense Review (QDR). Title 10 of the United States Code already requires the Chairman of the Joint Chiefs (CJCS) to perform an independent roles and missions review as part of the QDR. This function was accomplished in the past via a separate triennial assessment.

The CJCS routinely considers roles and missions issues as part of his advice, and through development and drafting of the Unified Command Plan. Supported by the Joint Staff, the CJCS continues to be well postured to execute the review. The Department's approach to QDRs has significantly improved with experience and over time. The 2006 QDR in particular was a model for effective collaboration across DoD components, as well as follow-on implementation. Accordingly, the Department's strong preference is to address any deficiencies within the existing QDR mandate rather than establish new, parallel efforts.

The core competencies and capabilities of DoD entities – the Military Departments, the Joint Staff, the OSD, Defense Agencies, Field Activities, and Combatant Commands – are currently reflected in their chartering documents. DoD senior leadership continually assesses existing organizational structure against needed capabilities and the future security environment to ensure appropriate alignment. For combatant commands, review of core competencies is reflected in the bi-annual Unified Command Plan process. Other components are reorganized (e.g., OSD (P), PA&E) or established (e.g., OUSD (Intelligence), OASD (Homeland Defense), the Joint Improvised Explosive Device Defeat Organization) based on mission requirements.

In conclusion, it is important to recognize that the Department's leadership and people are far more important than any organizational construct. The best guarantee of success is for leadership to provide an environment where everyone can excel, and to have a workforce of great people – well-trained and educated, highly motivated, and committed to protecting and defending this great nation. Our nation is blessed to have these people in the Department of Defense.