

THE HERITAGE LECTURES

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For Real, Effective
Military Reform

By Rep. James Courter



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INTRODUCTION

Recent years have seen the intensification of calls to reform the organization of the Department of Defense. Although it is not a widely known or debated public issue, "defense reorganization" has attracted significant interest within Washington circles. Defense reorganization has found support both among those who seek to stop or radically slow the rebuilding of American defense, as well as among those who seek to enhance U.S. warfighting capabilities to deter and meet the Soviet threat.

These diverse goals ensure scattershot solutions, an approach to reorganization that will not solve or even address the core problems facing the Department today--problems characteristic of the federal government as it grew and was shaped under liberal Administrations of the past. For those whose objective is a strengthened American defense, it is essential to focus directly on those issues: overcentralization and bureaucratization.

The core elements of today's Department of Defense (DOD) are a deliberate product of the post-war period, when a series of congressional hearings and Administration studies examined defense organization. The outcome was the first unified defense establishment in the history of the United States.¹ Its creation reflected strong pressures to centralize defense functions, particularly common supply and the formulation of the budget. Yet seminal to the enacted form of the "National Defense Establishment," as it was termed in the original 1947 legislation, was the contemporary argument that decentralization

1. The National Security Act of 1947, Public Law 253, 80th Congress.

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Prepared for delivery at The Heritage Foundation.

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was essential to managing an entity as large as the combined Navy and War Departments.²

In consequence, DOD balanced the centralization of policy control under a single Secretary of Defense against the decentralization of management, through subordinate Secretaries of the Military Departments (Army, Navy, and Air Force), and the decentralization of command, under Commanders-in-Chief (CINCs), who headed combatant commands in Europe, the Pacific, and elsewhere, and were responsible directly to the Secretary of Defense for carrying out operations. In 1949, 1953, and 1958, the system was tightened to strengthen the powers of the Secretary of Defense, but it was never intended to vest line administration or global command in a centralized staff below him.

Although this degree of decentralization was less indebted to pure management philosophy than to the pressures of the Services--particularly the Navy, but to a lesser extent the Army Air Corps, which sought autonomy as a co-equal Department--it anticipated the lessons of entrepreneurial business that are being rediscovered and applied by American business today.

THE NEED FOR REORGANIZATION

In recent years, competitive pressures in both domestic and international commerce have made effective organization a key to business success.³ That success has followed a consistent overall pattern: decentralized management, in which decision-making is vested in those who are directly responsible for output and profits--the core objectives of the business enterprise as a whole. In this type of organization, control is shifted to the line divisions; central administration is pared to the fewest possible common functions; and the layers of management between the top operating officer and the line divisions are sharply reduced. As a result, responsible managers from the Chief Executive Officer down are in a position to act, rapidly and creatively, in the face of changing requirements.

This is precisely the challenge facing American defense today, and yet the organization of defense has kept marching in the opposite direction: centralized administration, multiple layers of management and command, and the diffusion of authority among numerous offices and

2. For a description and analysis of the debates, see Demetrios Caraley, The Politics of Defense Unification (New York: Columbia University Press, 1966).

3. See especially Tom Peters and Robert Waterman, In Search of Excellence (New York: Harper and Row, 1980); and Tom Peters and Nancy Austin, A Passion for Excellence (New York: Random House, 1985). Peters has also written on the central staff problem in "Why Smaller Staffs Do Better," The New York Times, April 12, 1985.

agencies. Most recently, for example, and in an Administration as devoted as the current one is to reducing big government, an assistant secretary of defense produced a report calling for the consolidation of all acquisition, research and development, and contract administration in a separate department reporting to the Secretary of Defense. The roots of this trend lie in the administrative measures promulgated by former Secretary of Defense Robert McNamara during his 1961-1968 tenure.

FAILURES OF CENTRALIZATION

In terms of defense organization, McNamara is perhaps best known--and most strongly criticized--for his institution of "systems analysis" and the ponderously named, ponderously executed "Planning, Programming, and Budget System" (PPBS).⁴ Intended to "rationalize" defense decisions by applying economic forms of cost-benefit analysis to such areas as weapons acquisition and the employment of forces, systems analysis ushered in two disastrous developments for effective defense management. First, its elevation to the level of a panacea for difficult policy and operational decisions came to justify the attempts by civilian and military staffers in the Office of the Secretary of Defense (OSD) to micromanage defense--notably in their remote control conduct of American operations in the Vietnam War. Second, the economic and budgetary emphasis that systems analysis encouraged came to substitute for less tangible but more important strategic and policy concerns as guides for long-term planning. It is no wonder that Congress and the Secretary of Defense are always accusing one another of focusing on small details and ignoring "the big picture." McNamara's success in reshaping defense organization to concentrate on "systems" virtually ensured that outcome.

SWELLING STAFFS

In the controversy that has surrounded McNamara's institution of centrally directed systems analysis, an equally pernicious trend in defense organization during his tenure has been overlooked: the massive growth of a central staff apparatus with significant authority over the line management of defense functions.

4. For a discussion of the impact of systems analysis in the defense process, see "The Uses and Abuses of Analysis in the Defense Environment, A Conversation with R. James Woolsey," American Enterprise Institute Studies in Defense Policy, 1980.

Between June 1962 and December 1967,⁵ OSD and its subordinate central staff agencies almost tripled in size, rising from some 30,000 military and civilian employees to more than 84,000. This increase reflects significant growth in the immediate Office of the Secretary (including the office of Under and Assistant Secretaries of Defense), as well as in the Organization of the Joint Chiefs of Staff and other joint and central bodies inherited from the Eisenhower years. But the largest component of staff growth came from the creation and rapid growth of three new central defense agencies.

The Defense Supply Agency (DSA--now the Defense Logistics Agency) was created in 1961 to manage central procurement for DOD as a whole. From June 1962 to December 1967, DSA grew from 16,501 employees (chiefly civilian) to 59,535--an increase of more than 360 percent. The Defense Intelligence Agency (DIA), also created in 1961, rose from 582 employees in June 1962 to 6,122 in December 1967. Finally, the Defense Contract Audit Agency, created in 1965, grew from 166 in December of that year to 3,905 just two years later. At the same time, the headquarters staffs of the Military Departments, the ostensible "line managers" of force training, supply, and maintenance, were being reduced: showing a drop of almost one-third during the period of McNamara's tenure.⁶

The Department of Defense has never recovered from this outdated form of central-staff control. Indeed, central agencies have proliferated, multiplying the layers of management and overlapping authority. Today, despite efforts by the current Secretary of Defense to return line functions to line managers and field commanders, we see a virtually unchanged picture. Total personnel in the Office of the Secretary of Defense and related central agencies tops 82,000. In 1984, seventeen Under and Assistant Secretaries of Defense oversaw various functions and missions of defense, and eleven central defense agencies had direct administrative powers or vetoes over management actions. (The sole structural concession to decentralization was abolition this year of the Defense Audio Visual Agency, which had been responsible for "the centrally managed production, acquisition, and reproduction of motion picture films, video and audio tapes and discs, still photographs, and multimedia and other audio visual products.")

5. June 1962 was the first date for which comprehensive staffing data, breaking down OSD and defense agencies, appears in published form. December 1967 is the last compilation date prior to McNamara's resignation in February 1968. The figures are from "P.12.2S: Active Duty Military Personnel and Direct Hire Civilian Employees by Organizational Component," Statistical Services Center, Office of the Secretary of Defense, 1962-1968.

6. For data on Military Department staffing, see "P3: Military and Civilian Personnel in the Washington, D.C. Metropolitan Area," Statistical Services Center, Office of the Secretary of Defense, 1961-1966. Between these years, the tables break out departmental (headquarters) service within the Military Departments. This break-out was ended beginning with the 1967 data.

Similarly, reporting to the Joint Chiefs of Staff in 1984 were 21 different bodies, only one of which was the actual Organization of the Joint Chiefs of Staff (OJCS). OJCS itself had 10 separate directorates and agencies, and 1,380 military and civilian employees--980 more than are actually authorized for the Joint Chiefs' staff.

Yet of these central agencies, offices, and directorates--whose planning, standardization, audit, regulatory and other functions daily affect the activities of U.S. forces--none had on-line responsibility for the ultimate performance of military objectives. Their 82,000 employees were all central staff, without line accountability for the effective or efficient maintenance of American forces or the conduct of operations.

The outcome of this is predictable, whether in the conduct of operations or in procurement. A characteristic account of its effect on the purchasing process was given in a Wall Street Journal editorial of May 16, 1985, entitled "The Pentagon Gosplan":

...Navy technicians in Orlando, Fla., wanted two diodes for spare parts kits for flight simulators used to train pilots. The diodes cost pennies apiece and can be purchased in packages of 10 at your local Radio Shack. However, Navy technicians are not allowed to go to the local Radio Shack, buy 10 diodes, put two in spare parts kits, throw eight in a drawer and file a petty cash voucher for \$1.97....In due course, the request for two diodes got chops from the Defense Logistics Agency, the Office of Small and Disadvantaged Business Utilization, the Office of Installation Services and Environmental Protection, the Defense Contract Administrative Services Regional Office in Marietta, Ga., the Administrative Support Center at Alexandria, Va., and something on Long Island....[The cost affixed to the purchase by "bureaucrats" in the chain came to] a total of \$220.68. For that, you get two \$110 diodes.

The Wall Street Journal used this tale to illustrate the need for less bureaucracy and greater competition. But the comparison made in the editorial to Soviet central planning (the Gosplan) recognizes the destructive role of centralization as well: delay, inefficiency, and the loss of effective accountability.

RECOMMENDATIONS

This country's effectiveness in defense is inextricably linked to the "competitive edge" that the Free World enjoys over the Soviet Union. A vital component of that competitive edge, amply proven in the private sector, is decentralized organization. To apply this to the defense establishment, the following steps should be taken:

1) The Pentagon should undertake an immediate study of the functions and authority of central defense agencies. The study should report on the type of function or authority exercised; on all individual line activities subject to multiple agency oversight; and on all duplicative or overlapping agency activities.

2) On the basis of this study, the Administration and Congress should undertake measures to decentralize the Department. While policy making should remain in the hands of the Secretary of Defense, the administration of that policy--for example, guidelines or instructions regarding equal opportunity, acquisition and contracts, and so on--should be shifted from central staff to line organizations, such as the Services or Commanders-in-Chiefs. Similarly, line management of essential defense objectives--for example, force building, maintenance, or employment--should be returned to line organizations. Only clearly defined common functions, such as fully joint communications or intelligence requirements, should remain centrally managed.

3) DOD should undertake a study of the number of levels of authority in both the chain of command and in the management of defense procurement. Those layers should be reduced to the lowest possible level, consistent with comparable layers of management in the private sector. Throughout the Defense Department--in central and joint bodies, in the Military Departments, and in CINC headquarters--staff personnel should be sharply reduced.

These measures would restore the accountability and effectiveness of defense. Neither they nor any form of organization can substitute, however, for the political willingness of top civilian officials to make strong decisions regarding the funding of defense and the employment of force. But effective defense organization will allow effective leadership to prevail.

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