

## Better, Less Costly Pentagon Management



**This year marks the 10th anniversary of IDA's Welch Award, which recognizes the best external publication by IDA researchers. The award was named for retired U.S. Air Force General Larry D. Welch, who was IDA's president from 1990 to 2003 and again from 2006 to 2009. This summary is the first in a series reflecting on the 10 winning publications since the award's inception in 2011. IDA's 2021 Larry D. Welch Award for best external publication is a book on defense management reform by IDA senior fellow Peter Levine.**

Why do some attempts to reform Department of Defense (DOD) management succeed while others fail? Peter Levine answers that question in *Defense Management Reform: How to Make the Pentagon Work Better and Cost Less*. This book identifies similarities and differences among nearly 40 years of DOD management reform efforts that contributed to their success or failure.

In many ways, DOD is more like an economy than a company. It runs the world's largest acquisition system for the world's most powerful military. DOD 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 consequences of mismanagement are as immense as the organization is complex. Even relatively minor inefficiencies can affect dozens of organizations, touch thousands of employees, cost tens of millions of dollars, and undermine effectiveness of key support functions. In his book, Levine presents case studies of DOD acquisition, financial, and personnel management reform efforts that span decades. The purpose was to reveal what worked and what didn't in hopes of finding out how to make real progress in the way DOD does business.

**Acquisition reform.** A close look at the five major cycles of defense acquisition reform that took place between the early 1980s and 2009 makes clear that some initiatives are more successful than others, though none can solve all the ills of the defense acquisition enterprise. The ongoing sixth cycle of acquisition reform seeks to promote speed of technology innovation and acquisition. Whether this effort will be successful remains to be seen.

**Financial reform.** The lack of an auditable financial statement is the product of thousands of linked problems with deficient systems, poor controls, dysfunctional processes, misaligned objectives, and stove-piped organizations. For this reason, the most successful reforms have been those that identified the most critical financial management problems and developed focused solutions to those problems. Unfortunately, DOD chose to move to a full audit in 2017 without first addressing known deficiencies.

**Civilian personnel system.** For six years in the early 2000s, DOD devoted an unprecedented level of time, effort, and resources to implement a new National Security Personnel System (NSPS). Although imperfect, NSPS showed positive signs in the areas of hiring new talent, increasing workforce flexibility, addressing poor performers, and motivating top performers. But the system was repealed in 2009 after it received negative employee reviews in almost every area.

**What works.** The book suggests that political and substantive dimensions are at play in determining success or failure of reform efforts. On the political side, an initiative is most likely to be successfully adopted and implemented when (1) the initiative has solid support from both political parties, (2) the executive branch and Congress are working together toward a common objective, and (3) the affected organizational and functional communities are supportive. On the substantive side, management reform initiatives are most likely to achieve positive results when they (1) prioritize critical tasks, (2) clearly define the problem to be solved, (3) tailor the solution to the problem, and (4) assign responsibility to those best equipped to act.

Above all, successful reform requires sustained leadership from the top. Leaders who communicate, build consensus, and make tough decisions should be able to drive reform forward, saving money and building efficiency in the process. While no solution is perfect, progress is possible if leaders lead and managers manage.



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