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military officers in developing contingency plans. This problem area is addressed in Chapter 4 dealing with the Organization of the Joint Chiefs of Staff.

E. DESCRIPTION OF SOLUTIONS TO PROBLEM AREAS

In this section, possible solutions to OSD problem areas are described. These include previously proposed solutions along with newly developed ones. The list of possible solutions covers those that would require legislative action and those that require only management attention. Because OSD is at the pinnacle of the DoD hierarchy, a number of solutions to OSD problem areas involve structural or management changes in organizations outside of OSD. While these non-OSD solutions are addressed in detail in chapters of the study dealing with other DoD organizations, they are briefly described in this section to draw attention to their potential contribution to improved performance by OSD.

Regarding previously proposed solutions, there have been five major studies since 1970 that address one or more of the OSD problem areas identified in this report:

- the *Report of the Blue Ribbon Defense Panel* chaired by Gilbert W. Fitzhugh and submitted in July 1970;
- the *Departmental Headquarters Study* directed by Paul R. Ignatius and submitted in June 1978;
- the *National Military Command Structure Study* directed by Richard C. Steadman and submitted in July 1978;
- the *Defense Agency Review* directed by Major General Theodore Antonelli, USA (Retired) and submitted in March 1979; and
- the Final Report, entitled *Toward a More Effective Defense*, of the Defense Organization Project of the Center for Strategic and International Studies (CSIS) chaired by Philip A. Odeen and completed in February 1985.

Relevant recommendations of these studies have been linked to problem areas identified in this study as accurately as possible. Due to the differences in approach as well as the brevity of certain recommendations in these studies, the correlation of problem areas and recommendations required certain interpretations which may not be exact.

It should be noted that the options to solve a problem area presented in this section may or may not be mutually exclusive. In some instances, only one of the options to solve a problem area could be implemented. In other cases, several options might be complementary.

1. PROBLEM AREA #1—LIMITED MISSION INTEGRATION OF THE OVER-ALL DEFENSE EFFORT

The principal guideline for solving this problem area is to strengthen the integrating staff support for the Secretary of Defense and to strengthen the authority of and the integrating staff support for the JCS Chairman. Proposals that would strengthen the authority of the JCS Chairman are addressed in Chapter 4; this chapter will, therefore, focus only on strengthening the integrating support for the Secretary of Defense and JCS Chairman. With

these objectives in mind, four options have been developed. These options propose that portions of OSD and OJCS be organized along major mission lines.

No element of the Washington Headquarters of DoD is organized along major mission lines. While there are small offices within various OSD, OJCS, and Military Department organizations that focus on a functional area relating to a major DoD mission, such as policy for defense of NATO Europe, there is no major organizational entity that has a comprehensive, multi-functional, mission orientation. Only at the unified and specified command, or operational, level—which is far removed from Washington—is there a true mission orientation.

Since institutions should be organized, both at their policymaking and operational levels, to execute their major responsibilities, the current organizational arrangements at the policymaking level of DoD, which emphasize functional inputs, and not mission outputs, are a major shortcoming. In essence, these arrangements are a major roadblock to improved mission integration. Alternative arrangements include:

- Option 1A—create an Under Secretary of Defense for Policy and Program Integration whose office would include assistant secretaries for three major mission categories: nuclear deterrence, NATO defense, and regional (other world regions) defense and force projection

In a previous portion of this chapter, it was asserted that DoD has six major missions:

- nuclear deterrence
- maritime superiority
- power projection superiority
- defense of NATO Europe
- defense of East Asia
- defense of Southwest Asia

These six missions are used as the basis for forming mission-oriented offices in OSD.

Under this proposal, the missions of nuclear deterrence and defense of NATO, given their paramount importance, would each be assigned to an assistant secretary. The other four missions—maritime superiority, power projection superiority, defense of East Asia, and defense of Southwest Asia—would be assigned to a third assistant secretary, to be entitled regional defense and force projection. The CSIS report, *Toward a More Effective Defense*, included major portions of this option as one of its recommendations. (pages 25-27)

Under this option, these three assistant secretaries would report to an Under Secretary for Policy and Program Integration. The current position of Under Secretary for Policy would be expanded to assume the program integration responsibilities. Expanding the responsibilities of this under secretary to include program integration is a logical extension of the current duties of this position. DoD Directive 5111.1, which specifies the responsibilities of the Under Secretary of Defense for Policy, lists the following function first: “integration of DoD plans and policies with overall national

security objectives." In essence, the integration responsibilities of this position would be expanded from only policy planning to include programs and resource decisions.

Under this alternative, portions of current OSD functional offices —policy and program analysis and evaluation being key examples —would be transferred to the offices of the new assistant secretaries. For example, the Assistant Secretary for Nuclear Deterrence would have reporting to him the following offices:

	current organization
Office of the Deputy Assistant Secretary (Nuclear Forces and Arms Control Policy)	OUSD (Policy)
Office of the Deputy Assistant Secretary (Negotiations Policy)	OUSD (Policy)
Deputy Director (Strategic Programs)	Office of the Director of Program Analysis and Evaluation

Similar transfers would be made to the other mission-oriented assistant secretaries.

As to the location of the current international policy and international affairs offices in this proposed organization, the Office of the Assistant Secretary (International Security Policy) would be divided between the assistant secretaries for nuclear deterrence and NATO defense. The Office of the Assistant Secretary (International Security Affairs) would be incorporated in the office of the assistant secretary for regional defense and force projection.

To provide these assistant secretaries with expertise and influence on the range of resource issues that would be of concern in their mission areas, it will be necessary to provide them staff capabilities in the traditional resource-oriented functional areas: research and development, manpower, logistics, installations, and command, control, communications, and intelligence. This capability could be provided in two ways.

First, the mission-oriented assistant secretaries could be assigned a resource office that would have a small cell of staffers to address each functional area. This arrangement would enable the mission-oriented assistant secretaries to have an effective voice in resource issues without impeding the functional integration role of the functional-oriented under and assistant secretaries.

The second method of providing resource expertise to the mission-oriented assistant secretaries would be to transfer to them entire subunits that have mission-oriented responsibilities from the functional offices. For example, the Deputy Under Secretary (Strategic and Theater Nuclear Forces) could be transferred from the Office of the Under Secretary (Research and Engineering) to the office of the Assistant Secretary (Nuclear Deterrence). Similarly, the Director of Strategic and Theater Forces Command, Control, and Communications could be transferred from the Office of the Assistant Secretary (C³I) to the Office of the Assistant Secretary

(Nuclear Deterrence). Such transfers would not be possible from all functional offices due to the inability to divide some offices along mission lines. This second method would greatly reduce the roles of the functional under and assistant secretaries and make functional integration in DoD more difficult.

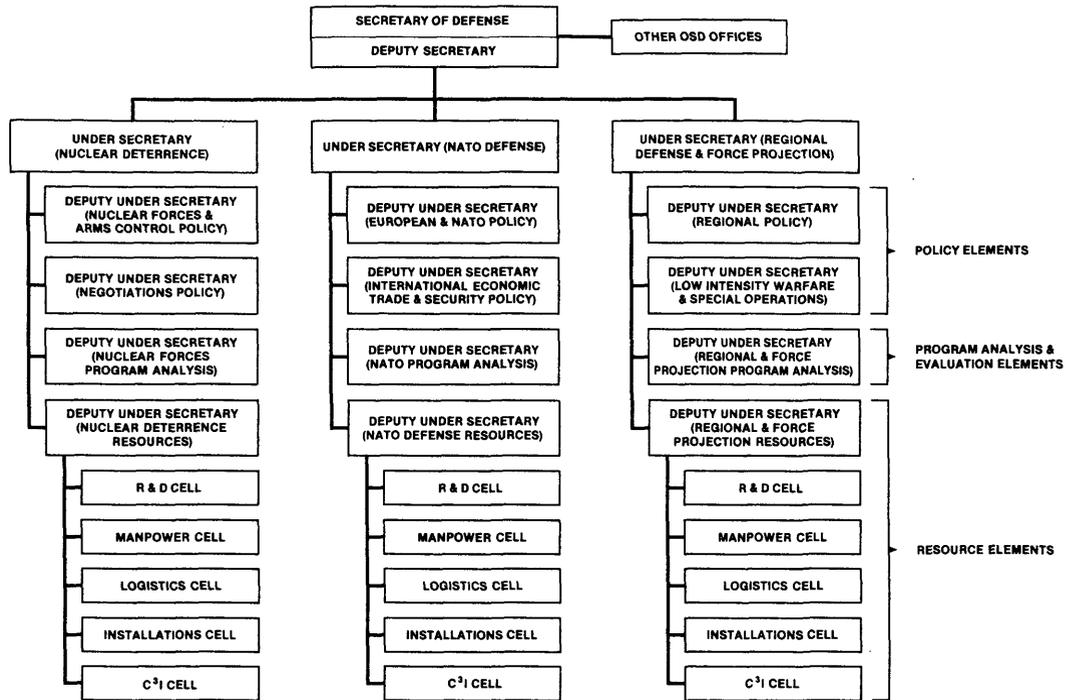
Under either approach, certain OSD functional areas would remain unaltered, such as comptroller, general counsel, public affairs, legislative affairs, and acquisition.

- Option 1B —create under secretaries in OSD for three major mission categories: nuclear deterrence, NATO defense, and regional defense and force projection.

Instead of creating three mission-oriented assistant secretaries reporting to a single under secretary, this option proposes the creation of three mission-oriented under secretaries who would report to the Secretary of Defense. Options 1A and 1B differ only in regard as to whether these mission-oriented offices would be headed by assistant or under secretaries and whether these offices would report to an under secretary or directly to the Secretary of Defense.

As in Option 1A, appropriate cells or portions of current OSD functional offices would be transferred to the offices of the new under secretaries. Chart 3-4 presents an illustrative diagram of the major offices that would report to these three under secretaries; the diagram is based upon the approach of having one resource office for each under secretary with staff cells for various resource-oriented functional areas.

MAJOR OFFICES OF MISSION-ORIENTED UNDER SECRETARIES



One of the offices subordinate to the Under Secretary (Regional Defense and Force Projection) deserves special attention. That is the office which would focus on low intensity warfare and special operations. At the present time, low intensity warfare and special operations would not qualify as a major DoD mission; it is properly included as a subordinate mission of the regional defense and force projection mission.

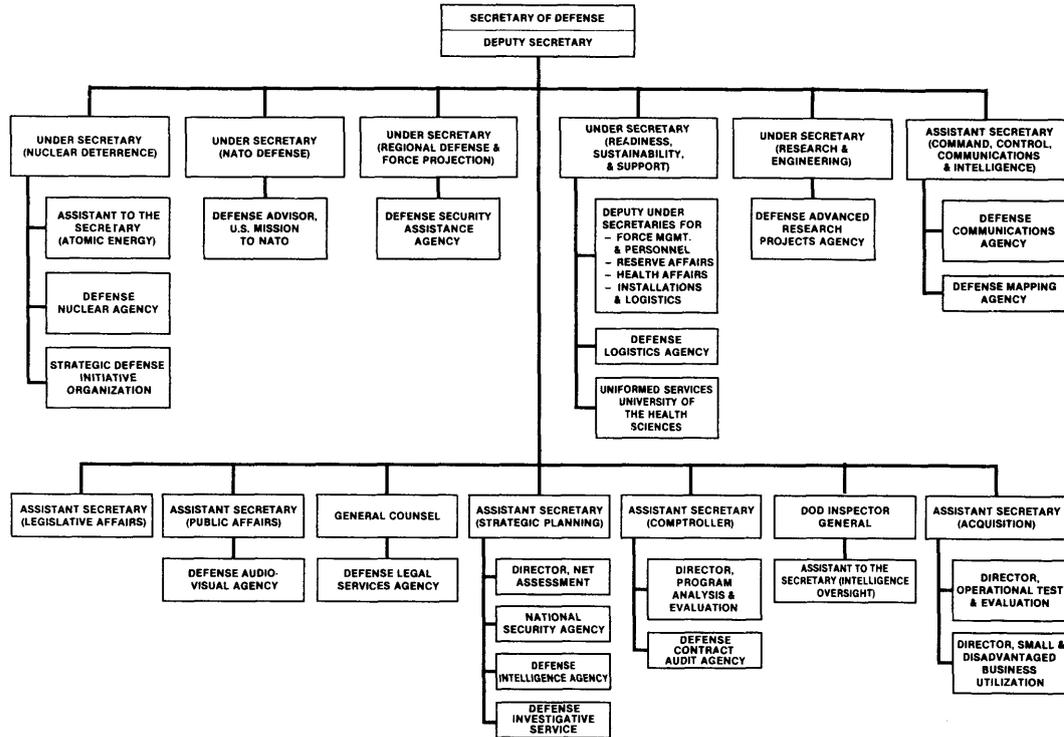
Despite this judgment, there is a substantial need to create a strong multi-Service, multi-functional, organizational focus for low intensity warfare and special operations. This is so for six reasons: (1) the threat to U.S. interests from the lower end of the conflict spectrum is becoming more serious; (2) the capabilities needed to respond to these threats are not among the traditional ones of the Services; (3) the Services have a tendency in force planning to focus on high intensity conflicts upon which their resource programs are principally justified; (4) there is a need to coordinate the activities of the Services as they seek to develop required capabilities in order to avoid unnecessary duplication; (5) there is a need for innovative thinking and new approaches to these threats; and (6) a clear organizational focus may help ensure that these capabilities receive the proper attention and priority. While the proposals for offices subordinate to the under secretaries may be considered as illustrative, the establishment of an office for low intensity warfare and special operations is a specific proposal.

Chart 3-5 presents one possible organizational diagram of OSD that could result from the creation of mission-oriented under secretaries. The set of organizational changes proposed in this diagram also seeks to solve the span of control problems (problem area #2) of the Secretary of Defense by grouping offices under the most logical senior official. Key among these changes is the creation of an Under Secretary for Readiness, Sustainability, and Support whose office would have responsibility for manpower, reserve affairs, health affairs, installations, and logistics. Chart 3-5 also reflects a recommendation of Chapter 7 (PPBS) that the position of Assistant Secretary of Defense (Strategic Planning) be created.

This proposal —despite the detail in which it is portrayed —is provided only for illustrative purposes. Chart 3-5 represents only one of many possible schemes for organizing OSD with three mission-oriented under secretaries. Accordingly, it should not be considered a recommended course of action. The purposes of Chart 3-5 are solely to: (1) serve as a starting point for efforts to design an OSD staff with improved mission integration capabilities and a more manageable span of control; and (2) identify for the Congress the underlying principles to be addressed in legislation.

CHART 3 - 5

OSD WITH MISSION-ORIENTED UNDER SECRETARIES



The top portion of Chart 3-5 shows the six major OSD organizations, three of which are mission integrators (nuclear deterrence, NATO defense, and regional defense and force projection) and three of which are functional integrators (readiness, sustainability, and support; research and engineering; and command, control, communications and intelligence). Highlights of the proposed changes are as follows. Offices not shown on this chart would continue to report to their current senior authority.

- the Assistant to the Secretary (Atomic Energy) and the Defense Nuclear Agency would report to the Under Secretary (Nuclear Deterrence) instead of the Under Secretary (Research and Engineering);
- the Strategic Defense Initiative Organization would report to the Under Secretary (Nuclear Deterrence) instead of the Secretary of Defense;
- the Defense Advisor, U.S. Mission to NATO would report to the Under Secretary (NATO Defense) instead of the Secretary of Defense;
- the Defense Security Assistance Agency would report to the Under Secretary (Regional Defense and Force Projection), but would coordinate with the Under Secretary (NATO Defense) on security assistance programs within the European region;
- the position of Under Secretary (Readiness, Sustainability, and Support) would be created;
- the positions of Assistant Secretary (Force Management and Personnel), Assistant Secretary (Reserve Affairs), and Assistant Secretary (Health Affairs) would be retitled Deputy Under Secretaries and would report to the Under Secretary (Readiness, Sustainability, and Support) instead of the Secretary of Defense;
- the installations and logistics functions would be transferred from the Assistant Secretary (Acquisition and Logistics) to a Deputy Under Secretary (Installations and Logistics) who would report to the Under Secretary (Readiness, Sustainability, and Support);
- the Uniformed Services University of the Health Sciences would report to the Under Secretary (Readiness, Sustainability, and Support) instead of the Secretary of Defense;
- the new position of Assistant Secretary (Strategic Planning) would be created to replace the Under Secretary (Policy); reporting to this Assistant Secretary would be the National Security Agency and the Defense Intelligence Agency (both of which currently report to the Secretary of Defense) and the Office of the Director, Net Assessment and Defense Investigative Service (both of which currently report to the Under Secretary (Policy));
- the Director, Program Analysis and Evaluation would report to the Assistant Secretary (Comptroller) instead of the Secretary of Defense;
- the Assistant to the Secretary (Intelligence Oversight) would report to the DoD Inspector General instead of the Secretary of Defense;

- the Assistant Secretary (Acquisition and Logistics) would be re-titled Assistant Secretary (Acquisition); and
- the Director, Operational Test and Evaluation and the Director, Small and Disadvantaged Business Utilization would report to the Assistant Secretary (Acquisition) instead of the Secretary of Defense.
- Option 1C —create a matrix organization with mission-oriented under secretaries and functional-oriented under and assistant secretaries.

This proposal is the same as Option 1B with one major exception: the functional cells or subunits placed within each mission-oriented office would retain an organizational link across all such functional activities within OSD. For example, each mission-oriented office would have a policy office in its vertical organization. These offices would also report horizontally to the senior policy official in OSD, who, in this proposal, would be the Assistant Secretary (Strategic Planning).

Matrix organizations, pioneered by the aerospace industry in the late 1950's and 1960's, are employed successfully by a number of large, diversified private businesses with organizational problems similar to those of OSD. The identifying feature of a matrix organization is that some officials report to two bosses rather than to the traditional, single boss. In essence, there is a dual rather than a single chain of command. In OSD, these dual command responsibilities would be to functional offices (strategic planning; program analysis and evaluation; research and engineering; readiness, sustainability, and support; and command, control, communications and intelligence) and to mission offices. The former are oriented to functional efforts or specialized inhouse activities while the latter focus on outputs. In the matrix proposed for OSD, power would not be balanced equally between the dual chains of command. The mission-oriented chain would be dominant; the other chain would serve to complement the dominant chain.

The functional structure that currently exists in OSD and elsewhere in the Washington headquarters of DoD was the hallmark of U.S. businesses for much of the first half of this century. As certain companies became larger and more diversified, they switched to a product organization with functional offices underneath, an organizational concept known as federal decentralization. Many private businesses were perplexed as to whether a functional or a product line organization better suited their needs. The matrix organization is designed to gain the best of both approaches.

Upon reflection, one might conclude that DoD currently has a federal decentralization organization with the Military Departments being the product lines. This is not the case. The Military Departments do not represent the central "products" or "businesses" of DoD, because DoD is not seeking separate land, sea, or air products. The "businesses" of DoD are the previously described major missions: nuclear deterrence, defense of NATO Europe, defense of East Asia, defense of Southwest Asia, maritime superiority, and power projection superiority.

OSD WITH A MISSION-FUNCTION MATRIX

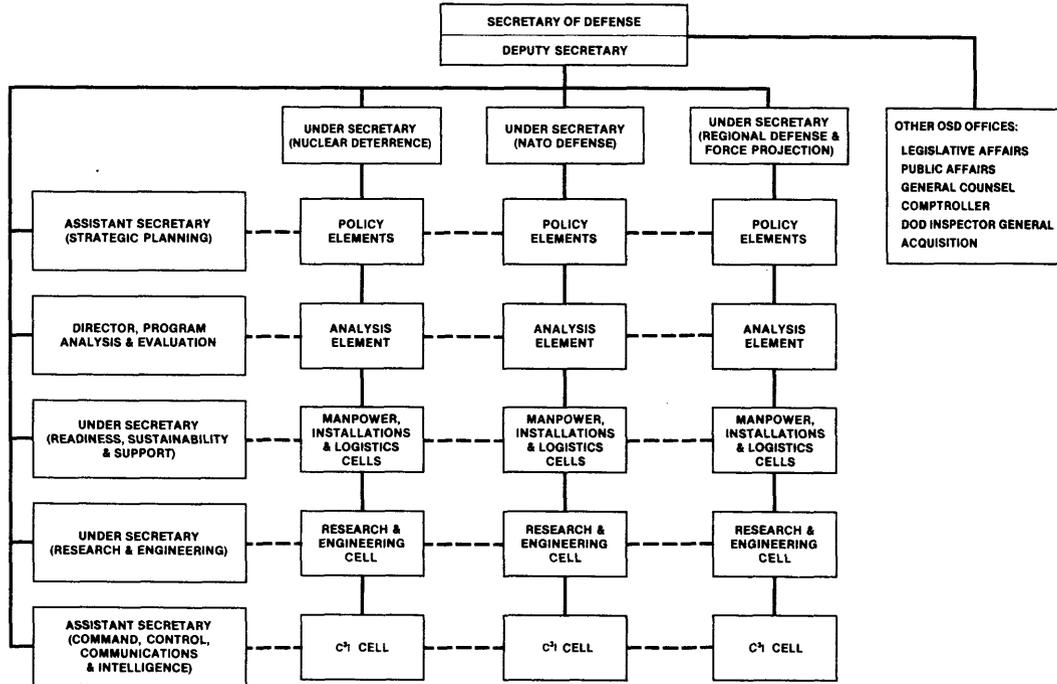


Chart 3-6 presents a detailed diagram of one possible OSD matrix organization. The offices in the upper right hand box of the chart would not be part of the matrix. The offices of the mission-oriented under secretaries are shown vertically with their policy, analysis, and resource elements. The matrix is formed with five functional offices. At least three Defense Agencies (Defense Intelligence Agency, Defense Communications Agency, and Defense Logistics Agency) that report to these functional offices would also be included, either directly or indirectly, as part of the matrix. Two of these functional offices —strategic planning and program analysis and evaluation —have only staff responsibilities. The other three —research and engineering; readiness, sustainability, and support; and command, control, communications and intelligence —have important functional integration responsibilities.

The five functional offices overlay the mission-oriented offices in the horizontal dimension. These offices would seek to improve coordination among the various functional subunits located within the mission-oriented offices. The unbroken lines within the vertical, mission-oriented offices signify that this is the dominant command chain in the matrix. The dashed horizontal lines connecting the functional offices and functional cells or subunits signify a coordination —not a power sharing —responsibility.

- Option 1D —replace the current Joint Staff functional (J-1, J-2, etc.) organization with a mission-oriented organization.

As in the case with OSD, the Joint Staff is organized along functional lines. As might be expected, this organizational arrangement focuses on the functional perspective. It is not clear, however, that this perspective is desirable in an organization that is responsible for providing unified military advice which must give careful consideration to missions and operational requirements.

This option proposes that the functional organization of the Joint Staff be replaced with a structure that includes mission-oriented offices. Under this option, there would be Directors of Joint Staff Directorates for each major mission area and a Director for Joint Resources who would continue to focus on the unfulfilled responsibilities of the current functional offices.

The same organizational principles used in proposing OSD mission-oriented offices would be applied to the Joint Staff. The following positions would be established:

- Director, Nuclear Deterrence
- Director, NATO Defense
- Director, Regional Defense and Force Projection
- Director, Joint Resources

and the following positions abolished:

- Director, J-1 (Manpower and Personnel)
- Director, J-3 (Operations)
- Director, J-4 (Logistics)
- Director, J-5 (Plans and Policy)
- Director, C³ Systems

Appropriate portions of the existing functional directorates would be transferred to the mission-oriented offices. Functional areas that should not be divided would be placed under the Direc-

tor, Joint Resources. However, if the JCS Chairman were given substantial responsibilities for providing personnel management of military officers in joint assignments (as proposed in Option 2J of Chapter 4), it would be necessary to retain, and possibly expand, the J-1 office.

2. PROBLEM AREA #2—INADEQUATE SUPERVISION AND COORDINATION OF OSD OFFICES

The thrusts of solutions to this problem are to reduce the Secretary of Defense's span of control by streamlining OSD, to improve the control of the Defense Agencies, and to create a coordination office or under secretary to help manage OSD. A total of seven options are presented in these three categories.

a. Create additional under or deputy secretaries to serve as managers/coordinators and group assistant secretaries and lesser officials under them.

- Option 2A —create two additional under secretaries for evaluation and readiness, sustainability, and support.

In addition to the Under Secretaries for Policy and Research and Engineering, which currently exist, two other under secretary positions would be created for evaluation who would have responsibility for evaluation, including testing, and control type activities. Readiness, sustainability, and support who would have responsibility for manpower, reserve affairs, health affairs, installations, and logistics.

CHART 3-7
 OSD WITH FOUR UNDER SECRETARIES

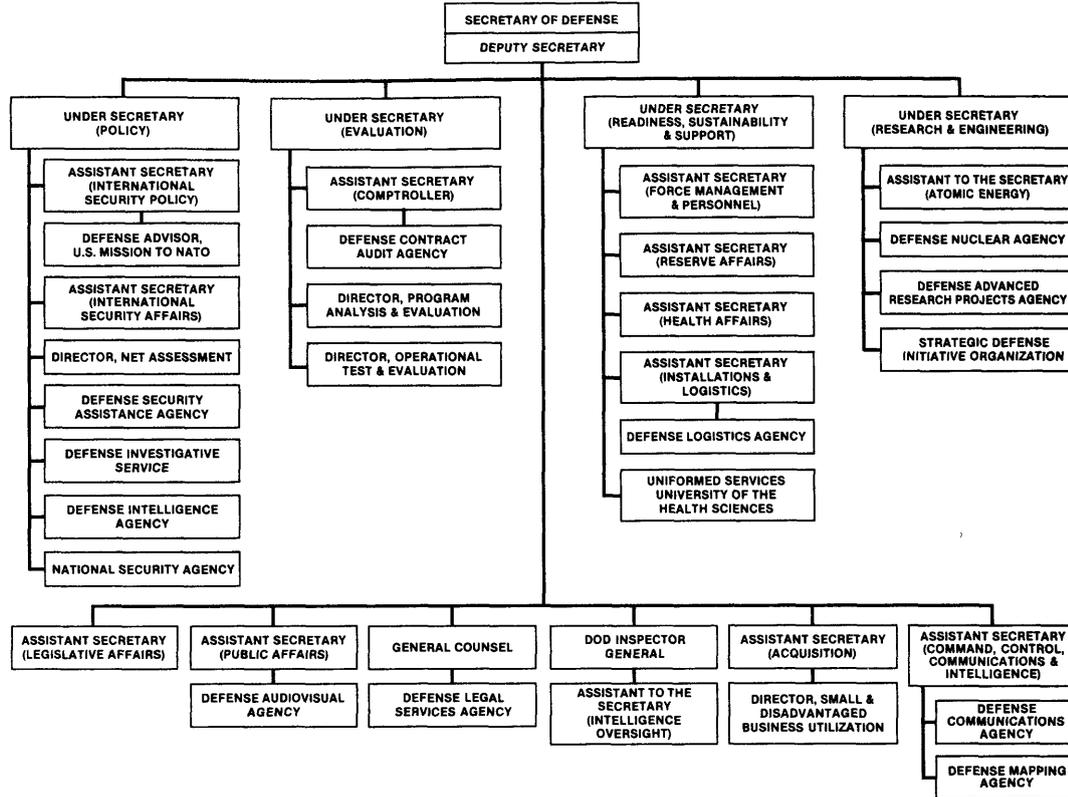


Chart 3-7 presents one possible organizational arrangement with four under secretaries of defense. Under this arrangement, the Secretary of Defense's span of control would be reduced from 24 to 10 OSD and Defense Agency officials. In addition to the four under secretaries, only six other OSD officials would report directly to the Secretary of Defense: General Counsel, Assistant Secretary (Legislative Affairs), Assistant Secretary (Public Affairs), the DoD Inspector General, Assistant Secretary (Acquisition), and Assistant Secretary (Command, Control, Communications and Intelligence). The major changes reflected in this chart are:

- the Defense Intelligence Agency and National Security Agency would report to the Under Secretary (Policy) instead of the Secretary of Defense;
- the Defense Advisor, U.S. Mission to NATO, would report to the Assistant Secretary (International Security Policy) instead of the Secretary of Defense;
- the Assistant Secretary (International Security Affairs), Assistant Secretary (International Security Policy), and Director, Net Assessment would report solely to the Under Secretary (Policy) instead of the current arrangement which also provides a link with the Secretary of Defense;
- the Strategic Defense Initiative Organization would report to the Under Secretary (Research and Engineering) instead of the Secretary of Defense;
- the Assistant Secretary (Comptroller), Director, Program Analysis and Evaluation, and the Director, Operational Test and Evaluation would report to the Under Secretary (Evaluation) instead of the Secretary of Defense; the DoD Inspector General could also report to the Under Secretary (Evaluation) if it were determined that he would retain sufficient independence in such an organizational arrangement; under this option, this official would continue to report to the Secretary of Defense;
- the Assistant to the Secretary (Intelligence Oversight) would report to the DoD Inspector General instead of the Secretary of Defense;
- the Assistant Secretary (Force Management and Personnel), Assistant Secretary (Reserve Affairs), Assistant Secretary (Health Affairs), and Uniformed Services University of the Health Sciences would report to the Under Secretary (Readiness, Sustainability, and Support) instead of the Secretary of Defense;
- the installations and logistics functions would be transferred from the Assistant Secretary (Acquisition and Logistics) to the Assistant Secretary (Installations and Logistics) who would report to the Under Secretary (Readiness, Sustainability, and Support);
- the Assistant Secretary (Acquisition and Logistics) would be re-titled Assistant Secretary (Acquisition); and
- the Director, Small and Disadvantaged Business Utilization would report to the Assistant Secretary (Acquisition) instead of the Secretary of Defense.
- Option 2B —create three mission-oriented under secretaries for nuclear deterrence, NATO defense, and regional defense and

force projection and an under secretary for readiness, sustainability, and support.

This option has been discussed in detail earlier in this chapter under Option 1B. It is repeated here primarily in recognition of its contribution to solving the problem of inadequate supervision and coordination of OSD offices as well as improving mission integration. In addition to these four new under secretary positions, the current Under Secretary (Research and Engineering) would be retained. Under this option, the Secretary of Defense's span of control would be reduced from 24 to 13 OSD and Defense Agency officials.

- Option 2C —create three deputy secretaries for military operations, resource management, and evaluation.

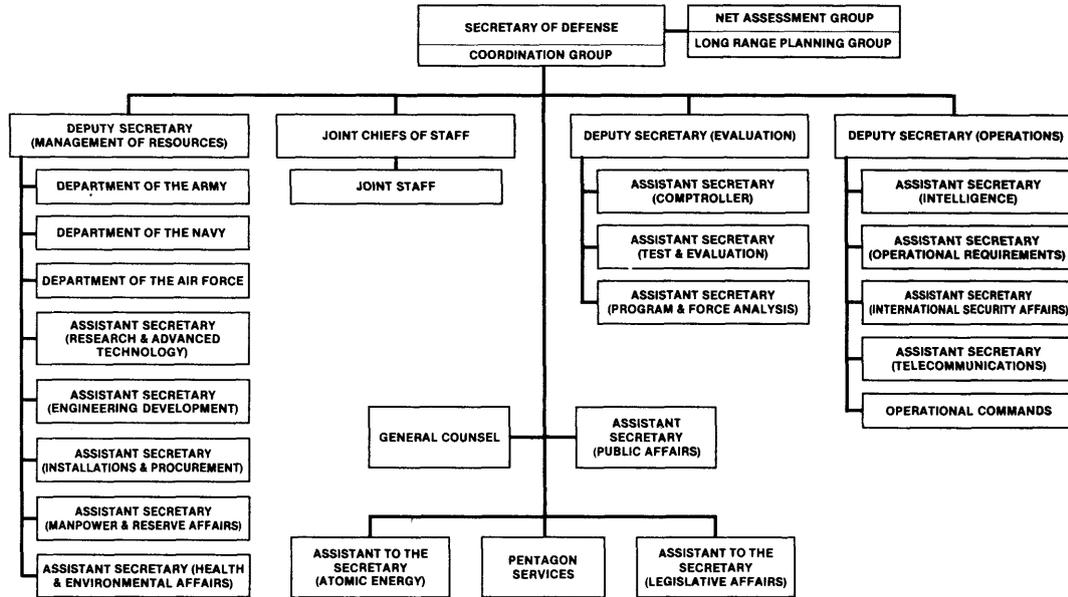
This proposal, put forward by the Blue Ribbon Defense Panel, envisioned deputy secretaries for:

Military operations who would have responsibility for military operations, unified commands, operational requirements, intelligence, telecommunications, international security affairs, and the Defense Communications Agency.

Management of resources who would have responsibility for the Military Departments, research and advanced technology, engineering development, installations and procurement, manpower and reserve affairs, health and environmental affairs, the Defense Logistics Agency, and the Defense Advanced Research Projects Agency.

Evaluation who would have responsibility for evaluation and control-type activities, including comptroller, program analysis and evaluation, test and evaluation, and the Defense Contract Audit Agency.

BLUE RIBBON DEFENSE PANEL RECOMMENDATION



In addition to these three deputy secretaries, the Blue Ribbon Defense Panel recommended the establishment of a Long Range Planning Group, Net Assessment Group, and a Coordination Group. Chart 3-8 presents these organizational arrangements as recommended by the Blue Ribbon Defense Panel. Under this exact arrangement, the Secretary of Defense's span of control within OSD would be reduced from 24 to 11 officials. However, if the Blue Ribbon Defense Panel's recommendations were made consistent with changes that have occurred since 1970, the Secretary's span of control would be reduced to nine OSD officials. In the broader DoD context, this option would reduce the Secretary of Defense's span of control from 41 to 14 officials.

b. Improve the control of Defense Agencies.

While reassigning four of the five Defense Agencies that report directly to the Secretary of Defense to other OSD officials (as Options 2A and 2B propose) may improve their supervision and control, these realignments would not solve the problem of inadequate control for the ten agencies that currently report to lesser OSD officials. Two options to improve the control of Defense Agencies have been developed.

- Option 2D —have some Defense Agencies report through the JCS Chairman to the Secretary of Defense.

This alternative would focus on three Defense Agencies with important wartime support missions: Defense Communications Agency, Defense Intelligence Agency, and Defense Logistics Agency. By having these agencies report solely to the JCS Chairman, they may be more closely supervised.

- Option 2E —create an office in the Office of the Director of Program Analysis and Evaluation (PA&E) solely to review the program submissions of the Defense Agencies

Given the weaknesses of OSD control and supervision of the Defense Agencies, it may be useful to create a Deputy Director of PA&E whose office would be responsible for reviewing the program proposals of each Defense Agency. While this option would not improve the day-to-day supervision of Defense Agencies, it could strengthen control of the agencies' major programs.

c. Create a coordination office or under secretary to help manage OSD

If it is not possible to streamline the organization of OSD, an alternative approach would be to attempt to shift the burdens of managing OSD from the Secretary and Deputy Secretary of Defense to other officials in OSD. Two options have been developed along these lines: (1) create a Coordinating Group in the immediate office of the Secretary and (2) create a permanent under secretary.

- Option 2F —create a Coordinating Group

A detailed description of such a Coordinating Group is included in one of the recommendations of the Blue Ribbon Defense Panel:

A Coordinating Group should be established in the immediate office of the Secretary of Defense. The responsibilities of

this Group should be to assist the Secretary of Defense and the Deputy Secretaries of Defense in coordinating the activities of the entire Department in the scheduling and follow-up of the various inter-Departmental liaison activities; to staff for the Secretary the control function for improvement and reduction of management information/control systems needed within the Department and required from Defense contractors; and to assure that each organizational charter of the Office of the Secretary of Defense is of proper scope and coordinated and in accordance with the assigned responsibility of the organization. The responsibility for the Department's Directive/Guidance System, currently assigned to the Assistant Secretary of Defense (Administration), should be assigned to this group. This coordinating group should be headed by a civilian Director, who should also serve as executive assistant to the Secretary of Defense. (page 7)

- Option 2G —create a permanent (career position) under secretary to focus on management and coordination tasks.

This under secretary would be responsible for providing more careful oversight of the work agendas of various OSD offices and essentially serving as an OSD management inspector general. If such an official were appointed from the career service (as is proposed here), he could serve as a valuable source of continuity during periods of management transition.

The British Ministry of Defence does have a permanent under secretary position with substantial responsibilities. The incumbent of this position, entitled Permanent Under Secretary of State for Defence, is the permanent head of the Ministry of Defence and the principal accounting officer. His responsibilities, as listed in *The Central Organisation for Defence*, include:

(a) the organisation and efficiency of the Ministry including the management of all civilian staff, the co-ordination of its business, and establishment of such machinery as may be necessary for this purpose; (b) the long-term financial planning and budgetary control of the defence programme, the associated allocation of resources, and the proper scrutiny of the requirement for all proposals with expenditure implications; (c) advice on the political and parliamentary aspects of the Ministry's work and relations with other Government Departments. (page 3)

3. PROBLEM AREA #3—INEXPERIENCED POLITICAL APPOINTEES AND POOR CONTINUITY IN OSD

Options to correct this problem area can be grouped into two categories: (1) attempt to ensure that OSD political appointees have increased levels of relevant experience and to lengthen their terms of service; and (2) reduce the number of political appointees and improve the skills of career officials. A total of six options has been developed.

a. Provide for more experienced and longer serving political appointees

- Option 3A —require that political appointees have strong defense management credentials.

In many instances, the defense management credentials of senior OSD officials seem to have been given low priority in their selection by the Executive Branch. In many cases, political debts were apparently the pivotal consideration. Not only has the Executive Branch failed to give sufficient consideration to the extensive management demands of these senior positions, but the Senate, especially the Senate Committee on Armed Services, has not challenged nominated officials who lack relevant experience. If the Executive Branch cannot discipline itself to nominate more qualified officials, the Senate could establish more rigorous standards. This option is also discussed in the chapter of this study dealing with the Military Departments.

- Option 3B —require a longer commitment of service from OSD political appointees.

It is reported that Secretary Laird requested political appointees serving during his tenure to commit themselves to a minimum term of service. In addition to such an approach, the Senate Committee on Armed Services could seek a commitment from each senior political appointee during his or her confirmation hearing.

- Option 3C —formulate monetary incentives or lessen the monetary disadvantages for political appointees.

A major drawback in recruiting senior officials to serve in OSD is the substantial financial disincentive. Salaries of even the most senior OSD positions are considerably below those of comparable positions in private business. In addition, to avoid potential conflicts of interest, nominated officials are required to divest defense-related financial holdings. This requirement often results in a substantial financial setback. Three specific actions could be taken:

- increase the salaries of senior civilian officials in OSD;
- alter conflict of interest statutes and regulations to require only notice of conflicts and *ad hoc* disqualifications; and
- alter Federal tax laws with respect to forced sale of assets to permit the financial gain from such sale to be reinvested in similar assets without applying tax on the gain at the time of the forced sale.

b. Reduce the number of political appointees and improve the skills of career officials

- Option 3D —place a limit, at a reduced level, on the number of political appointees.

If the negatives of political appointments cannot be lessened, it may be necessary to limit the number of political appointees in OSD. There are presently 69 senior OSD political appointees. The Congress could specify in law a lesser number of senior OSD non-career appointees.

- Option 3E —give greater attention to the development and retention of a strong group of senior civil servants.

The complexities of modern defense management require senior career officials with a wide range of skills and experience. OSD may want to consider a more ambitious executive development program, particularly one that makes adequate provision for cross-training senior officials in new disciplines. While this is an important topic, detailed consideration of this option is beyond the scope of this study.

- Option 3F —create a permanent (career position) under secretary to provide for greater continuity.

This option, which is the same as Option 2G, proposes that a position for a permanent under secretary of defense be created to provide continuity and to lessen the problems of inexperienced political appointees and their high turnover rates. It is envisioned that this senior official would remain in place during the transition from one administration to the next.

4. PROBLEM AREA #4—OSD MICRO-MANAGEMENT

Six possible solutions to this problem area have been suggested. These include reducing the size of the OSD staff, improved management attention, and lessening outside factors that contribute to the micro-management tendency.

a. Reduce the size of the OSD staff

- Option 4A —reduce the size of the OSD staff.

The Blue Ribbon Defense Panel, in recommending an OSD staff size of not more than 2,000 personnel, stated: "...many of the individual elements of the Office of the Secretary of Defense have become so overstaffed as to reduce their capability." (page 31) Secretary Brown, however, reduced the staff size considerably below this number in 1977 by a personnel reduction of approximately 25 percent. The *Departmental Headquarters Study* did not recommend a size for the OSD staff although it did indicate that some officials interviewed by the study recommended a 50 percent reduction. If one were convinced that OSD was performing the full range of its responsibilities but merely going beyond these responsibilities into micro-management in certain areas, it would be possible to construct personnel reductions that would solve this problem. However, when, as the case appears, OSD is micro-managing in some areas and is not fulfilling its responsibilities in others —like mission integration and strategic planning —it is much more difficult to determine a proper staff size.

Nevertheless, it appears that a rationalization of work responsibilities between OSD and the Military Departments and between OSD and OJCS does offer the potential for some reduction in the size of the OSD staff.

b. Improved management attention.

- Option 4B —draw the micro-management problem to the attention of the Secretary of Defense and seek more clear-cut guidance on OSD staff responsibilities.

If the Secretary of Defense were convinced that OSD was engaging in micro-management of the Services' internal programs, he

may undertake initiatives to curtail this disruptive and inefficient practice. Included in such an effort might be more specific guidelines on the division of responsibilities between OSD and the Military Departments. In this regard, the *Department Headquarters Study* stated that one opportunity for improved management is:

A more precise delineation of where OSD's responsibilities end and those of the Military Departments begin. (page 26)

- Option 4C —reorient OSD's attention away from functional micro-management and toward mission integration.

If one believed that OSD was engaged in activities which are not its responsibility and was failing to perform others, it would be appropriate to reorient OSD toward its unfulfilled responsibilities. Options 1A, 1B, and 1C, which emphasize mission integration, could result in such a reorientation and indirectly lessen functional micro-management.

- Option 4D —create a permanent (career position) under secretary to police OSD micro-management

This proposal is the same as Option 2G (inadequate supervision problem area) and Option 3F (inexperienced political appointees and poor continuity problem area). The management responsibilities of this position, as envisioned in these previously presented options, would be specifically expanded to provide for careful policing of OSD micro-management of internal Service programs.

c. Lessen outside factors that contribute to the micro-management tendency.

- Option 4E —lessen congressional interest in program details.

Lessening congressional interest in details would lessen the needs of OSD to be involved with program details.

- Option 4F —hold Service Secretaries more accountable for conformance to guidance from the Secretary of Defense.

Such an effort should reduce OSD's concerns about non-compliance by the Military Departments in executing the decisions of the Secretary and Deputy Secretary of Defense or of senior DoD decision-making bodies. Success in such an effort would depend upon the extent to which the Service Secretary had an independent political base and the relative emphasis he placed on loyalty to the Secretary of Defense versus his Service.

5. PROBLEM AREA #5—UNILATERALISM

There are four options that could strengthen a coalition orientation in DoD planning and programming.

- Option 5A —create a position in OJCS for a 3-star military officer responsible for coalition matters.

Creation of this position would be designed to ensure that the coalition nature of our strategies was considered in issues addressed in the JCS system. This senior military official would report directly to the JCS Chairman.

- Option 5B —make the Deputy Under Secretary of Defense (Policy) responsible for coalition matters.

Again, the logic behind this proposal is to assign one official with the responsibility of raising coalition considerations in DoD decision-making processes.

- Option 5C —strengthen the position of the Deputy Under Secretary of Defense (International Programs and Technology).

One of the major failures of our coalition efforts has been poor defense industrial cooperation with our allies. The Deputy Under Secretary (International Programs and Technology), located in the Office of the Under Secretary of Defense (Research and Engineering), is a key force for multinational armament cooperation. Strengthening his role in relevant decisions may result in enhanced cooperation.

- Option 5D —create mission-oriented assistant or under secretaries who would be assigned responsibilities for coalition matters in their mission areas.

As the mission-oriented assistant or under secretaries, proposed in Options 1A, 1B, and 1C, would have both policy and resource elements, they may have more success in coordinating the various aspects of our coalition policies and programs.

6. PROBLEM AREA #6—INADEQUATE REVIEW OF CONTINGENCY PLANS

Two options have been developed to overcome this perceived problem area.

- Option 6A —create an OSD office, staffed by a combination of civilian and military officers, to review contingency plans.

This office would report to the Under Secretary of Defense (Policy) in the current organization or to the mission-oriented assistant secretaries proposed in Option 1A. In organizational arrangements (Options 1B and 1C) with mission-oriented under secretaries and an Assistant Secretary (Strategic Planning), it could report either to appropriate under secretaries or to the strategic planning office, or to both. Given the need for tight security for these contingency plans, it would appear appropriate to consolidate this work in one office —most logically, the Assistant Secretary (Strategic Planning).

- Option 6B —create a joint OSD/OJCS office to review contingency plans.

This office would be manned by both civilian and military officials and would report to both the Secretary of Defense and the JCS Chairman or their designees.

F. EVALUATION OF ALTERNATIVE SOLUTIONS

This section evaluates the specific options for reforming OSD that were set forth in Section E. No effort will be made here to compare these options with each other or to identify the most promising options for legislative action. Rather, this section seeks to set forth in the most objective way possible the pros and cons of

each alternative solution. The options will be identified by the same number and letter combination used in the preceding section.

1. OPTIONS FOR DEALING WITH THE PROBLEM OF LIMITED MISSIONS INTEGRATION

- Option 1A —create an Under Secretary of Defense for Policy and Program Integration whose office would include assistant secretaries for three major mission categories: nuclear deterrence, NATO defense, and regional defense and force projection.

This option would essentially entail the creation of three powerful positions in OSD, whose occupants would be able to cut across functional areas and Service priorities in order to ensure that fundamental DoD missions receive the highest priority. Under the present arrangement, the responsibility for these major missions is divided among so many offices and officials that their priority has become obscured and a certain focus has been lost. As Samuel Huntington has argued in his paper, "Defense Organization and Military Strategy":

The most striking deficiency in U.S. defense organization today is the absence of any single official or office in the Pentagon with overall responsibility for any one of these strategic missions —and *only* for that mission. Individual officials and organizations are responsible for parts of each of these missions; other officials, such as the Chairman of the JCS and the Undersecretary for Policy, have a general responsibility for all these missions. The Secretary of Defense knows where to turn when he wants the individual officials responsible for the Air Force or the Marine Corps, for research and development or intelligence, for manpower or the budget. But where does he find an official with overall and exclusive responsibility for strategic deterrence? There is none. Nor is there any single official responsible for NATO defense or for force projection in the Third World. These are precisely the major strategic purposes of American defense policy, and they are virtually the only important interests in defense that are not represented in the defense organization. (page 33)

There is, at present, no senior OSD official below the Secretary and Deputy Secretary who watches out for these mission priorities, and the military officers who do so —the unified commanders —do not have a strong voice or advocate in Washington. The three mission-oriented assistant secretaries could become important spokesmen within OSD for the interests of the unified commands. Their very existence would tend to draw attention to how various procurement, research and development, and operations and maintenance decisions and trade-offs affect the overall capability to fulfill key military missions.

Creating mission-oriented offices also has benefits in terms of other OSD and PPBS problem areas. It could strengthen strategic planning by diminishing OSD's focus on resources (Option 1A of Chapter 7) and by strengthening the mission orientation of organizations that contribute to the strategic planning process (Option 1I

of Chapter 7). In addition, mission-oriented offices could reorient OSD's attention away from functional micro-management (Option 4C) and strengthen efforts to achieve coalition-oriented planning and programming (Option 5D). In sum, mission-oriented offices would help to overcome the serious deficiencies of a functional structure in a large and complex organization.

On the negative side, the creation of these three assistant secretaries and the transfer of numerous offices and subunits to their jurisdiction would cause considerable confusion during the transition period. While it is true that more attention needs to be paid to major missions, it is less clear that the creation of three civilian assistant secretaries is the best way to achieve this. Alternative approaches involving the JCS system might be more effective and less disruptive.

Moreover, in some cases at least, the transfer of various units and subunits to the purview of the proposed mission-oriented assistant secretaries might result in less efficient or useful analysis and work. For example, if the program analysis and evaluation (PA&E) function were divided among three mission-oriented offices, there would be more attention devoted to cost-benefit tradeoffs within mission categories, but less attention devoted to tradeoffs that cut across mission categories and that embrace the entire defense budget (although this need could be fulfilled by the smaller PA&E office to be assigned to the Assistant Secretary (Comptroller)). Why break up functional offices that may require a certain critical mass in size in order to accomplish their function?

These arguments on the disadvantages of a mission organization versus a functional organization represent the traditional business dilemma of a product line versus a functional organization.

- Option 1B —create under secretaries in OSD for three major mission categories: nuclear deterrence, NATO defense, and regional defense and force projection

This option might be more disruptive than Option 1A, primarily because it would create three powerful mission-oriented under secretaries. On the other hand, a single under secretary with mission-oriented assistant secretaries under him would have considerably less ability to cause mission-oriented integration to actually happen than three under secretaries who focus on well-defined areas of responsibility. Moreover, given the fact that officials heading these mission-oriented offices would be responsible for the central strategic purposes of DoD, it would seem reasonable that they should be among the most senior officials in OSD and not lower in the hierarchy than functional-oriented officials. In addition, decisions on policy and resource allocation priorities among these three mission areas are among the most fundamental and important ones to be made in DoD. It can be argued that the Secretary or Deputy Secretary of Defense should be making these decisions and not the proposed Under Secretary for Policy and Program Integration. In many respects, the influence and decision-making responsibilities of the Under Secretary for Policy and Program Integration, proposed in Option 1A, could exceed those of the Secretary and Deputy Secretary of Defense.

It is clear from organizational trends in OSD that Secretaries of Defense are searching for improved mechanisms to help integrate the overall defense effort. Part 4 (Functional Organization of OSD) of Section B of this chapter indicates that: "most of the additions [to OSD functional areas since 1953] have been to strengthen the Secretary's policy, program review, and oversight responsibilities." These capabilities are primarily oriented toward seeking improved integration of the policies and programs of the Military Departments.

While these relatively new integration capabilities in OSD have not taken an explicit mission orientation, there has been a recent precedent for establishing mission-oriented offices. During the early years of the Carter Administration, Ambassador Robert W. Komer served as the Advisor to the Secretary of Defense for NATO Affairs. While he did not have a formal organizational structure to support his work (as is proposed for the assistant or under secretary for NATO defense), he was able, primarily due to his hierarchical position, to cut across functional and Service lines to give the NATO mission high priority. In this regard, Ambassador Komer made substantial contributions, including development of NATO's Long-Term Defense Program and planning the deployment of Intermediate-Range Nuclear Forces in Europe. Ambassador Komer essentially served as the proposed under secretary for NATO defense.

- Option 1C —create a matrix organization with mission-oriented under secretaries and functional-oriented under and assistant secretaries.

If one were convinced of the need for continued functional coordination in OSD as well as the need for mission-oriented offices, a mission-function matrix organization could be employed. The advantage would be effective coordination on both a mission and functional basis.

The major disadvantage would be the complexity of a matrix organization. The complexity problem would be compounded by the fact that OSD would just be emerging from a traditional functional organization to one that included mission-oriented offices. Adding a matrix at the same time that mission offices were created may be too much organizational change in OSD at one time. It might be better to follow a two-step process: create mission-oriented offices first and add the mission-function matrix later.

On the other hand, it might be preferable to make all of these changes at one time. It is clear that creating mission offices would be the more disruptive change. The matrix would be a rather modest step by comparison and might serve to ease the transitional process by providing continued functional coordination. Furthermore, the matrix proposed for OSD is a simple one. In any case, a mission-function matrix organization in OSD probably ought not to be a matter for legislation, but at most a recommendation to the Secretary of Defense.

The business literature, especially Davis and Lawrence in their book, *Matrix*, indicate that organizations turn to matrix organizations when three conditions apply:

There is considerable pressure for balanced decision-making that focuses on two or more organizational dimensions—in OSD's case, on both missions and functions;

There is considerable pressure for high rates of information exchange because of uncertainty, complexity, and interdependence in the issues confronting the organization; and

There are internal demands to achieve greater economies of scale and to meet high quality standards with scarce financial and human resources.

All three of these conditions apparently apply to OSD.

A matrix organization has numerous advantages. The matrix's most basic advantage over more familiar structures is that it facilitates a rapid management response to changing requirements. Multiple expertise from the various matrix dimensions is brought to bear on a problem to solve it in a manner that benefits the entire organization. The matrix forces simultaneous consideration of all relevant factors—mission, function, and geographic—and enhances prospects for agreement on the best course of action. Resources can be allocated more rationally and with greater effect, primarily because the matrix helps middle managers (assistant secretaries and their deputies) to make trade-off decisions from a general management (Secretary of Defense) perspective, an orientation which is not now possible in OSD.

A matrix organization also increases the potential for more effective control and coordination. The matrix permits better control over mission and functional issues because it avoids an exclusive focus on one dimension. More than any other structural format, the multiple reporting relationships and flexibility of a matrix encourage communication and coordination.

The disadvantages of a matrix are associated with making it work. Peter F. Drucker has argued that the matrix "will never be a preferred form of organization; it is fiendishly difficult". Key among the disadvantages is the potential for power struggles between the matrix dimensions. Because the matrix formalizes the conflict that already exists between mission and functional points of view, power struggles could result because the authority and responsibility of the two dimensions would overlap. This would be less of a problem in OSD because power would not be balanced between the mission and functional dimensions; the mission dimension would be dominant.

In their book, *In Search of Excellence—Lessons From America's Best-Run Companies*, Peters and Waterman are critical of matrix organizations in large corporations:

Along with bigness comes complexity, unfortunately. And most big companies respond to complexity in kind, by designing complex systems and structures...Our favorite candidate for the wrong kind of structure, of course, is the matrix organization structure. (page 306)

However, this criticism is focused on those organizations that have created large, complex, and often four-dimensional matrices. For those companies who have kept their matrices simple, Peters and Waterman are more positive:

Just to be clear, we are not overly concerned about the organizational form that a few early users of the technique —such as Boeing and NASA —called “matrix” management. The key to making these systems work is the same key that makes structures work in the rest of the excellent companies. *One dimension* —e.g., product or geography or function —*has crystal-clear primacy.* (pages 307–308)

The mission-function matrix proposed for OSD appears to fit into this latter category. It is a simple, two-dimensional matrix involving only eight OSD offices. Furthermore, the mission dimension would have “crystal-clear primacy.”

A second disadvantage of the matrix arises from the dual chain of command. The system of two bosses —even if one is dominant —places new demands on middle managers. This could lead to resistance to the matrix concept. Moreover, some corporations have found that people under a matrix organization are not certain to whom and for what they should report. The all too common question was “Which boss do I report to on this one, or do I keep everyone informed?” This breeds staffers who gain and retain substantial power by ensuring that everything stays complex.

- Option 1D —replace the current Joint Staff functional (J-1, J-2, etc.) organization with a mission-oriented organization.

Creating mission-oriented offices in OJCS could be undertaken in lieu of or in addition to creation of such offices in OSD. Given the extensive mission integration staff support that the Secretary of Defense needs, it does not appear that the Secretary could rely exclusively on the OJCS. Although the involvement of the OJCS in resource allocation issues can be important, it is not nearly of the same scope as that of OSD. If the Secretary of Defense desires extensive mission integration support, he will need to organize OSD to provide it.

As to whether a part of OJCS should mirror mission-oriented offices in OSD, it might be useful to have a military input with the same perspective as the OSD mission-oriented offices. Such an arrangement could provide the Secretary with a wider range of views on the most fundamental defense issues.

On the other hand, it may be disruptive to make substantial structural changes in the two most senior defense organizations (OSD and OJCS) at the same time. In addition, it is unclear whether the Secretary of Defense would benefit more from two mission-oriented inputs or whether it would be more beneficial for OJCS to approach issues from a different organizational perspective.

As a last point, it is not clear that the Congress should play a forceful role in organizing the Joint Staff. It may be preferable to allow the professional military to continue to specify the structure of the Joint Staff.

2. OPTIONS FOR DEALING WITH THE PROBLEM OF INADEQUATE SUPERVISION AND COORDINATION OF OSD OFFICES

- Option 2A —create two additional under secretaries for evaluation and readiness, sustainability, and support.

This option has three principal advantages: (1) it reduces the Secretary's span of control from 24 to 10 senior OSD and Defense Agency officials; (2) it provides the potential for improved coordination between similar functional areas; and (3) by creating an under secretary focused on readiness, sustainability, and support issues, it may produce a better balance between investment and readiness allocations. In addition, of the proposals offered for restructuring OSD, this option is the least disruptive.

While this option has numerous advantages, it fails to address the most serious problem in OSD which is limited mission integration. In addition, coordination across the functional groupings that would report to the four under secretaries would not be improved. Moreover, an additional layer would be placed between the Secretary and his functional specialists.

- Option 2B —create three mission-oriented under secretaries for nuclear deterrence, NATO defense, and regional defense and force projection and an under secretary for readiness, sustainability, and support.

This option reduces the Secretary's span of control from 24 to 13 senior OSD and Defense Agency officials. Other points of evaluation are included under Option 1B.

- Option 2C —create three deputy secretaries of defense for military operations, resource management, and evaluation.

Of all the options put forth for streamlining OSD, this proposal of the Blue Ribbon Defense Panel is by far the most extensive. In addition to changing reporting relationships in OSD, this option would alter the officials to whom the Service Secretaries and unified and specified commanders would report. For the former, they would report to a Deputy Secretary (Management of Resources); the latter, to a Deputy Secretary (Operations). If this option were applied to the current organization, the number of DoD officials — OSD and elsewhere —reporting to the Secretary of Defense would be reduced from 41 to 14. Within OSD, the reduction would be from 24 to 9 officials.

In addition to reducing the Secretary's span of control problem, this option offers several advantages. It would provide clearer lines of authority and responsibility throughout DoD. It would also provide the potential for increased coordination among the programs of the Services. Moreover, civilian oversight of non-nuclear contingency plans would likely be improved through the creation of a Deputy Secretary (Operations).

There are, however, a substantial number of negatives. The Secretary and Deputy Secretary of Defense arrangement has traditionally been one where one incumbent focused on day-to-day management of DoD, and the other on budget justification, Cabinet-level policy interactions, and political and congressional liaison and influence. Even if it were always the Secretary who has the latter role, he would have to add to his responsibilities refereeing disputes among the three Deputy Secretaries. Since military operations would set requirements, resource management would develop programs to meet requirements, and evaluation would decide whether requirements are met, it is not hard to foresee a large role

for a referee. This option may ostensibly reduce the Secretary's span of control, but not his workload.

Further, and most important, it would hinder integration of effort along mission lines where development, procurement, and readiness must be balanced to achieve the maximum level of mission output for the resources available. This approach would be a step backward in tying together strategy, policies, and resource allocations.

In addition, the role of the Organization of the Joint Chiefs of Staff is unclear under this proposal. They would be distanced from military operations which has traditionally been a principal responsibility of OJCS.

As a last point, the creation of a pure planning staff to do long-range planning is likely to be an unworkable arrangement. Long-range plans produced solely by staff planners have not been readily accepted by line management organizations. Staff planners can only start the process and, later, help it to continue.

- Option 2D —have some Defense Agencies report through the JCS Chairman to the Secretary of Defense.

OJCS is more likely than OSD to ensure that the Defense Agencies are more oriented to supporting combat forces in wartime. However, there is no evidence to suggest that the supervision or control of certain defense agencies would be improved by their transfer from OSD to OJCS. In fact, the current organizational deficiencies of the JCS system may lead to less efficient supervision and control of these Defense Agencies.

- Option 2E —create an office in the Office of the Director of Program Analysis and Evaluation (PA&E) solely to review the program submissions of the Defense Agencies.

This option has the advantage of concentrating authority, responsibility, and oversight of the Defense Agencies. However, there are OSD functional offices other than PA&E which have more direct interests in individual agencies. This option would not improve oversight by these other OSD offices. Strengthened oversight by OSD functional offices would appear to be a more beneficial alternative when compared to creation of a new office within PA&E.

- Option 2F —create a Coordinating Group.

The creation of a Coordinating Group in the immediate office of the Secretary of Defense would probably do much to increase the effective integration of the far-flung programs and offices of the Department of Defense —provided that individual Secretaries of Defense used the group effectively and gave it considerable authority. But by itself, such a group could accomplish little; its authority and influence would derive a direct proportion to the management competence of and effective delegation by the Secretary of Defense.

Management style would probably be a critical factor. Secretaries who wanted to maintain tight control of the Department and run it in a fairly authoritative, hierarchical fashion would probably find a Coordinating Group of immense value. Since the loyalty of the group would be to the Secretary alone, he could overcome some of the problems associated with Service Secretaries and under and

assistant secretaries in OSD being coopted to a degree by the organizations over which they preside. The Coordinating Group could cut across such dual loyalties and help ensure that the Secretary's will was carried out.

On the other hand, a Secretary who preferred to run the Department as a vast conglomerate, delegating large amounts of his decision-making authority to the Service Secretaries and OSD under and assistant secretaries, might find a Coordinating Group to be merely a nuisance. In addition, a Coordinating Group may result in overcentralization with all of its negative attributes. For this reason, such a group probably out not to be established in law, but might better be set up by individual Secretaries of Defense, according to their preferences and needs.

In addition, it is unclear how the work of this group would differ from the immediate assistants to the Secretary and Deputy Secretary and from three existing coordinating bodies: the Armed Forces Policy Council, the Defense Resources Board, and the Defense Systems Acquisition Review Council. Moreover, the establishment of mission-oriented assistant or under secretaries and multi-functional under secretaries offers greater potential for coordination without overcentralization.

- Option 2G —create a permanent (career position) under secretary to focus on management and coordination tasks.

The option of creating a position for a permanent under secretary was offered as a solution to three OSD problem areas: (1) inadequate supervision and coordination; (2) inexperienced political appointees and poor continuity; and (3) micro-management of the Services. The general management responsibilities envisioned in these options for this senior career official are very similar. For this reason, all three options will be evaluated under this heading. The basic arguments raised for Option 2F (Coordinating Group) also apply to an under secretary performing the same role; therefore, they will not be repeated here.

If this official were viewed as sufficiently apolitical as to enjoy the confidence of political appointees, he could play a useful role in numerous management areas. He could help the Secretary of Defense to improve supervision and coordination of OSD offices. In particular, he could play a forceful role in ensuring that OSD does not perform duties that should be the responsibility of the Military Departments. This permanent under secretary could offset the relative inexperience of political appointees especially during periods of transition. Such a senior career official could provide an important institutional memory.

The British Ministry of Defence has successfully employed a permanent senior official with both broad management and policy responsibilities. The U.S. Department of State also has had a senior career official —the Under Secretary for Political Affairs —although his responsibilities have focused on policy rather than management. Nevertheless, he has provided a useful source of experience and continuity.

On the other hand, it is unclear how the authority of this position would compare to that of politically appointed under or assistant secretaries. Inevitable conflicts in this regard would require

higher authority to resolve. For this official to effectively perform his duties, the Secretary of Defense would have to give him broad authority and support. Whether the Secretary of Defense would be prepared to share his power with a career official whom he did not select is uncertain. It is also possible that this official could be frozen out by incoming administrations if he were judged to be political or closely associated with previous policies.

3. OPTIONS FOR SOLVING THE PROBLEM OF INEXPERIENCED POLITICAL APPOINTEES AND POOR CONTINUITY IN OSD

- Option 3A —require that political appointees have strong defense management credentials.

This option is intended to resolve the serious problem of numerous political appointees coming to their positions with little experience in national security affairs or knowledge of DoD. The result is a generally weak management layer imposed on top of the permanent bureaucracy.

There are really no disadvantages to this option, for it clearly would be desirable to appoint OSD officials with the highest possible level of defense management abilities. There is, however, little that can be done about this by direct legislation. The Senate can play a certain rearguard role by applying more rigorous standards in its own review of candidates. However, the real key to improvement in this area would be a greater awareness of the problem and a greater commitment on the part of the present and future administrations to finding higher quality appointees and refraining from using key civilian positions in OSD and the Military Departments largely as political rewards.

It is clear that the Senate has the authority to insist on appointees with greater defense management experience and skills. The extent to which the Senate is prepared to challenge the President on political appointments is uncertain, particularly in light of a general conviction in the Senate that the President should have considerable leeway in appointing senior Executive Branch officials. There may be some small legislative initiatives that the Congress could take, such as enacting a resolution or requiring a report on the subject, that might heighten awareness of this issue, but that is probably all that could be achieved by direct legislation. A more viable initiative would be for the Senate Committee on Armed Services to adopt more stringent professional standards for nominees who appear before it for confirmation.

- Option 3B —require a longer commitment of service from OSD political appointees.

Unfortunately, it would be very difficult to induce most political appointees to remain longer unless substantially greater compensation were paid to them, and that is a problem that may lie beyond the scope of changes within DoD. Individual Secretaries of Defense might, however, seek longer commitments of service from their appointees during the initial hiring process. The Senate Committee on Armed Services could seek similar commitments during the confirmation process. While this option presents a desirable goal, forceful mechanisms for achieving it do not appear to be available.

- Option 3C —formulate monetary incentives or lessen the monetary disadvantages for political appointees.

The three specific actions considered under this option are separately evaluated as follows:

a) increase the salaries of senior civilian officials in OSD

Although this study has not attempted to conduct a detailed analysis of the salary levels of senior OSD officials, a number of studies have found the salaries of such officials to be substantially below that of private sector business leaders having similar authority and responsibility. Likewise, there is a substantial body of evidence that the relatively low salary levels of OSD officials is a substantial impediment to both recruiting and retaining individuals who are well qualified for these positions.

This possible action is made more complex because of the present salary structure in effect for the entire Executive Branch. If OSD officials' salaries are to be raised, it is quite likely that there will be strong pressure to increase the salaries of other officials in the Department of Defense and in other Executive Branch agencies.

b) alter conflict of interest statutes

The Senate Committee on Armed Services' interpretation of conflict of interest rules requires a nominee to divest himself within 90 days after appointment of any interest in any business, stocks, securities, or other asset which could result in a potential conflict of interest. In the past, rarely have potential appointees held substantial investments that would pose potential conflicts of interest. It perhaps can be argued that the Committee's interpretation of the rules has served as a barricade for highly qualified persons with substantial defense-related investments from even considering appointive positions in DoD. Whether this is true is open to speculation.

Some observers have indicated, however, that the interpretations applied by the Senate Committee on Armed Services to conflict of interest statutes and regulations go beyond that needed to protect public interest and, in fact, work against the public interest by preventing highly qualified personnel from accepting senior positions in OSD because of financial ramifications.

Those who offer this option argue that the public is adequately protected from conflicts of interest by merely requiring a public disclosure by potential appointees of all business or financial interests or by such disclosure accompanied by a disqualification of the official in matters directly affected by that business or financial interest.

The opposing view notes that the additional requirements imposed by the Senate Armed Services Committee's interpretation of conflict of interest rules were the result of less stringent requirements clearly not serving the public in the past and efforts to ensure public confidence in DoD officials by attempting to remove all potential for conflicts of interest.

c) alter Federal tax laws with respect to forced sale of assets

Rather than alter the requirement that a potential appointee divest himself of business and financial assets which are potential

sources of conflict of interest, this possible action would attempt to reduce the impact such requirements have upon potential appointees.

This action would seem to be a small step which could be of some value. It would not alter conflict of interest practice and should not reduce public confidence in OSD officials. However, it would reduce the immediate financial impact upon an individual who accepts an appointment and is required to divest assets by permitting the gain from that divestiture to be rolled over into other non-conflicting assets, thereby postponing the payment of Federal capital gains tax. In this way, the U.S. Treasury would not be deprived of the revenue; the receipt of the revenue would only be postponed.

An alternative approach would be the use of "blind trusts", rather than divestiture. Blind trusts, however, would not seem to be a practical alternative for two reasons. First, while the assets would be placed in a blind trust, the appointee would still be aware that he owned certain investments until such time as he were informed that some taxable transaction had occurred involving the corpus of the trust. Second, if the trustee were to divest the trust of the ownership of the potentially conflicting investments, there would no longer be a need for the blind trust, but the tax consequences to the appointee would be the same as if the divestiture had occurred without the blind trust.

- Option 3D —place a limit, at a reduced level, on the number of political appointees.

Reducing the number of political appointees would somewhat alleviate the underlying problem, but it might also make the Department of Defense even more the province of professional civil servants whose predilections and biases might tend toward caution and routine, rather than toward innovation and reform. Their outlook and approaches to problems might also run sharply contrary to the direction of given administrations, who would have an even harder time controlling the Department with fewer political appointees.

- Option 3E —give greater attention to the development and retention of a strong group of senior civil servants.

Detailed consideration of this option is beyond the scope of this study.

- Option 3F —create a permanent (career position) under secretary to provide for greater continuity.

This option is evaluated under Option 2G.

4. OPTIONS FOR RESOLVING THE PROBLEM OF OSD MICRO-MANAGEMENT

- Option 4A —reduce the size of the OSD staff.

While OSD may be engaging in activities that might be better left to the Military Departments, it is not clear that reductions in the size of OSD could be justified. There are many responsibilities which OSD is not adequately performing at present. Improved performance in these areas may be necessary before judgments can be made on whether there is excessive staffing in OSD.

There is a second dimension to the issue of the size of the OSD staff. Chapter 4 dealing with the Organization of the Joint Chiefs of Staff discusses the tendency of Secretaries of Defense to rely on the OSD staff for advice and analyses that he cannot obtain from the JCS system. If the institutional deficiencies of the JCS system were corrected, it might be possible to reduce the size of the OSD staff. The Chairman's Special Study Group concludes that reductions would be possible:

...as the OJCS gains in effectiveness, the Service Staffs and OSD can and should be reduced. (page 73)

In addition to interactions with the Military Departments and OJCS, the size of the OSD staff is also influenced by outside demands. Former Secretary of Defense James R. Schlesinger discussed this fact in testimony before the Senate Committee on Armed Services:

It must firmly be borne in mind, however, that many of the problems of the OSD come from outside. The growth of the staff reflects the enormous increase in the interest and power of outside entities. There must be continued responses to members of Congress, to congressional staffs, to the General Accounting Office—all of which have expanded exponentially—as well as to the Arms Control and Disarmament Agency and to such older institutions with expanded powers like the Department of State and the Office of Management and Budget. If one is concerned about the size of the OSD staff, the initial place to start is probably outside. (Part 5, page 189)

This study has several general themes that might have a potential effect on the required size of the OSD staff: (1) reorient OSD's attention to mission integration, strategic planning, and other broad responsibilities; (2) eliminate OSD micro-management of the Services; (3) improve the effectiveness of OJCS and reduce OSD and Service staffs that are overinvolved in joint military advisory matters; and (4) lessen outside demands on OSD. When combined, these themes suggest that a reduction of the size of the OSD staff would be both possible and desirable. Unfortunately, any reductions proposed would probably have to be somewhat arbitrary. Moreover, the justification for such reductions would be dependent upon the implementation of all of the above themes.

- Option 4B—draw the micro-management problem to the attention of the Secretary of Defense and seek more clearcut guidance on OSD staff responsibilities.

The most promising solution to the OSD micro-management problem appears to be corrective action by the Secretary and Deputy Secretary of Defense. If the Secretary and Deputy Secretary fail to object to the work agenda of OSD, they implicitly give their approval to it.

- Option 4C—reorient OSD's attention away from functional micro-management and toward mission integration.

If one were convinced that limited mission integration is a serious problem, there are no apparent disadvantages to this option.

- Option 4D —create a permanent (career position) under secretary to police OSD micro-management.

This option is evaluated under Option 2G.

- Option 4E —lessen congressional interest in program details.

This option is evaluated in Chapter 9 dealing with the Congress.

- Option 4F —hold Service Secretaries more accountable for conformance to guidance from the Secretary of Defense.

This option would not be desirable if it inhibited the ability of a Service Secretary to effectively and completely present the point of view of his Service prior to decisions being made by the Secretary, Deputy Secretary of Defense, or senior DoD decision-making bodies. If this could be avoided, ensuring Military Department conformance with the final decisions of higher civilian authority would be extremely beneficial. Evaluation of such efforts is also included in the chapter of this study dealing with the Military Departments.

5. OPTIONS FOR RESOLVING THE PROBLEM OF UNILATERALISM

- Option 5A —create a position in OJCS for a 3-star military officer responsible for coalition matters.

The problem with this option is that coalition affairs ultimately are handled at a level much higher than that of a 3-star billet on the JCS. Such a position would increase the involvement of the JCS in more routine matters of coordination among allies, but it would only marginally increase their influence in larger national policies on NATO and other alliances. Given the right combination of personalities and circumstances, a 3-star officer might be able to sensitize the Nation's top military to coalition issues —such as the “two-way street” —or he might not. But it is certain that he would have only minimal impact on the much larger political issues that affect the NATO Alliance, such as burdensharing and nuclear strategy. If such a position were to be created largely for symbolic reasons and for improving inter-military coordination within the North Atlantic Alliance on relatively routine matters, it might serve its purpose. If it were expected to accomplish more than that, the results would likely be disappointing.

- Option 5B —make the Deputy Under Secretary of Defense (Policy) responsible for coalition matters.

By assigning formal responsibility for coalition matters to one official, they might consistently receive attention of higher quality. However, the Under Secretary (Policy) currently has general responsibility for coalition matters. It is unclear how delegating this responsibility to his immediate subordinate would substantially improve the situation.

- Option 5C —strengthen the position of the Deputy Under Secretary of Defense (International Programs and Technology).

This option does not appear to offer substantial prospects for solving the unilateralism problem. This official has neither the position in the hierarchical structure nor the breadth of responsibility to have the necessary degree of influence. Moreover, his respon-

sibilities are limited to armament cooperation whereas the range of coalition matters is much broader.

- Option 5D —create mission-oriented assistant or under secretaries who would be assigned responsibilities for coalition matters in their mission areas.

The functional organization of OSD is one of the major causes of unilateralism. Because there is limited mission integration in OSD, functional areas are not sufficiently attuned to the needs of the coalition strategies. Mission-oriented assistant or under secretaries with functional cells or subunits would be able to provide coordination across functional areas and, thereby, substantially enhance the prospects for comprehensive and effective coalition approaches. Furthermore, these offices could ensure that the inputs of unified commands on coalition issues were adequately considered.

6. OPTIONS FOR IMPROVING THE REVIEW OF CONTINGENCY PLANS.

- Option 6A —create an OSD office, staffed by a combination of civilian officials and military officers, to review contingency plans.

The Steadman Report offers support for this option:

...there is a need for at least an annual review by the Secretary and selected key assistants of the principal military plans to assure that their political assumptions are consistent with national security policy. Such briefings also would broaden the understanding of key policymakers of military capabilities and options in the event of crisis or conflict. (page 43)

The critical words in this quote are “and selected key assistants.” It is not possible for the Secretary and Deputy Secretary of Defense to conduct comprehensive reviews without staff assistance.

If mission-oriented assistant or under secretaries were established, the review of contingency plans (and a review of readiness standards) affecting their areas would be a normal course of business in relating ends to means. This would simply be a part of the iterative strategy-policy-resources decision process that would go on to make goals coherent with capabilities.

In the absence of mission-oriented assistant or under secretaries, the Office of the Under Secretary of Defense (Policy) might be a natural place for basing a small team to review contingency plans. In either case, such a team would probably focus not on the military value and quality of the plans, but solely on their possible political impact and their conformance with established national policies.

If the team were staffed by military officers alone, the impression would be created that a tiny group from OJCS was simply transferred on paper to an OSD office, but that no effective civilian control was taking place. That impression could only be alleviated if the assistant or under secretaries themselves played a significant part in the review (an additional time-consuming burden for them) or if a small number of civilian officials beneath them were involved. The tightest security arrangements and the most careful selection of the civilians would be required in order to assure that

the military retained confidence in the security of the contingency plans.

The responsibility for review, however, should not be confused with the responsibility for authorship. Authorship would continue to rest with the unified and specified commands and the OJCS. If it were not to become a nuisance and were not to lose the confidence of the JCS, the office would have to exert authority to mandate changes in contingency plans only when an overriding policy consideration suggested the necessity. The office would lose all credibility if it started to rewrite contingency plans or to insist that minor changes be made for no clearly overriding reason.

- Option 6B —create a joint OSD/OJCS office to review contingency plans.

The same general criteria would apply to this option as to Option 6A. Precisely where the review office is based may be less important than how it is organized and how it functions, but only if its findings were clearly made part of the iterative strategy-policy-resources decision process. This option, through its joint OSD/OJCS nature, does offer the potential for much greater interplay of civilian and military officials. If this office ever lost the confidence of the JCS, great pressures to abolish it would result.

On the other hand, OSD review of contingency plans would be very different than that of OJCS. OSD reviewers would focus on ensuring that political assumptions of the contingency plans are consistent with national security policy and that the options presented in such plans are politically realistic. In contrast, OJCS would focus on the quality of the military strategy of the contingency plans. Given the different scope of these reviews, it does not appear that it would be useful to attempt to combine them.

G. CONCLUSIONS AND RECOMMENDATIONS

This section presents the conclusions and recommendations of this chapter concerning the Office of the Secretary of Defense. The conclusions result from the analyses presented in Section D (Problem Areas and Causes). The recommendations are based upon Section F (Evaluation of Alternative Solutions). Excluded from this list are recommendations that are more appropriately presented in subsequent chapters.

Conclusions

1. Mission integration is the principal organizational goal of the Department of Defense.

Recommendations

Conclusions

2. Mission integration is necessary in both of the distinct organizational levels of DoD: the policymaking level, comprised basically of Washington Headquarters organizations, and the operational level, consisting of the unified and specified commands.
3. Mission integration at the policymaking level of DoD needs to be substantially improved; DoD has failed to develop the extensive, supplemental integrating devices that it needs to achieve effective mission integration.
4. The functional organization of OSD is a major impediment to the promotion of mission integration at the policymaking level.

Recommendations

- 4A. Establish three mission-oriented under secretary positions for (1) nuclear deterrence, (2) NATO defense, and (3) regional defense and force projection.
- 4B. Assign to the office of each mission-oriented under secretary portions of current policy and program analysis offices that have corresponding mission-related responsibilities and cells of functional specialists in resource areas.
- 4C. Establish an office for low intensity warfare and special operations within the office of the under secretary for regional defense and force projection.

Conclusions

5. Close coordination between newly established mission-oriented offices (recommendation 4A) and function-oriented offices would be beneficial, especially during the transitional period.
6. Many OSD offices are inadequately supervised and coordinated, primarily due to the Secretary of Defense's excessive span of control.
7. Improvements to OSD organizational arrangements and decision-making procedures should emphasize *both* structural change and enhancement of the defense management skills of senior officials.

Recommendations

- 5A. Recommend to the Secretary of Defense that he consider the creation of a mission-function matrix organization which would include the offices of the three mission-oriented under secretaries and five functional offices: Assistant Secretary (Strategic Planning); Director, Program Analysis and Evaluation; Under Secretary (Research and Engineering); Under Secretary (Readiness, Sustainability, and Support); and Assistant Secretary (Command, Control, Communications and Intelligence).
- 6A. Group assistant secretaries and lesser officials in OSD under new or existing under or assistant secretaries (in line with recommendation 4A) in order to streamline the organization and to reduce the Secretary of Defense's span of control from 24 to 13 senior OSD and Defense Agency officials.
- 6B. Create the position of Under Secretary of Defense (Readiness, Sustainability, and Support) to help streamline the organization.

Conclusions

8. OSD suffers from inexperienced political appointees and poor continuity in its senior management positions.
9. OSD is engaged in some degree of micro-management of internal Service programs; OSD's functional structure is a cause of this micro-management problem.
10. Planning and programming in OSD are unilateral, not coalition, oriented.
11. The absence of OSD review of non-nuclear contingency plans is inconsistent with the principle of civilian control of the military.

Recommendations

- 8A. Require that OSD political appointees have strong defense management credentials.
- 8B. Seek a longer commitment of service from OSD political appointees.
- 8C. Alter Federal tax laws with respect to forced sale of assets by appointed OSD officials to permit the gain from such sale to be reinvested in similar assets without applying tax on the gain at the time of the forced sale.
- 9A. Reduce the size of the OSD staff.
- 9B. Reorient OSD's attention away from functional micro-management and toward mission integration by creating mission-oriented offices (recommendation 4A).
- 9C. Hold Service Secretaries more accountable for conformance to guidance from and decisions by the Secretary and Deputy Secretary of Defense.
- 10A. Create mission-oriented under secretaries who would be assigned responsibility for coalition matters in their mission areas (recommendation 4A).
- 11A. Create an OSD office, staffed by a combination of civilian officials and military officers, to review contingency plans.