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CHAPTER 7

PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

A. INTRODUCTION

The fundamental purpose of this study of the organization of the Department of Defense (DoD) is to evaluate (1) the civil-civil, civil-military, and military-military relationships among the Office of the Secretary of Defense, Defense Agencies, Organization of the Joint Chiefs of Staff, unified and specified commands, and Military Departments; and (2) the ability of these organizational arrangements to provide for sound planning, resource management, administration, and force employment. The reviews of the Planning, Programming, and Budgeting System (PPBS) in this chapter and the acquisition process in Chapter 8—both of which are internal decision-making processes designed to support the current organization—are intended to be secondary to these larger issues.

Despite this fact, changes to decision-making procedures within DoD can have significant effects on the performance of the organization as a whole. There are three fundamental sources in DoD for improved organizational performance: (1) people; (2) organizational structure; and (3) managerial techniques. PPBS and the acquisition process represent the most important and visible applications of managerial techniques in DoD. Changes in managerial technology can serve as a substitute for changes in the other two areas. In particular, Allen Schick has written about the use of PPBS during Secretary McNamara's tenure as a substitute for reorganization:

PPB and departmental reorganization can be regarded as partial substitutes for one another. When PPB was flourishing in the Defense Department it was utilized to accomplish many of the objectives that had been sought in earlier reorganization attempts. Even though each of the military services retained its separate organizational identity, it was possible for the Secretary of Defense to make cross-cutting decisions by means of the mission-oriented program budget. ("A Death in the Bureaucracy: The Demise of Federal PPB", *Public Administration Review*, March 1973, pages 151-152)

Beyond these considerations, perceived satisfaction or dissatisfaction with PPBS (with its current strengths and weaknesses) could, itself, be an important measure of the effectiveness of existing organizational relationships. Organizational deficiencies may become evident in the PPB system. In addition, it may be possible for PPBS to serve as one of the supplemental integrating devices discussed in Chapter 3. PPBS is, therefore, an appropriate topic for review while addressing the broad issue of DoD organization.

PPBS is DoD's formal process for arriving at resource allocation decisions. Its purpose is the translation of military strategy and

planning into specific defense programs and the development of defense programs into a budget request. DoD Directive 7045.14 states:

The ultimate objective of the PPBS shall be to provide the operational commanders-in-chief the best mix of forces, equipment, and support attainable within fiscal constraints. (page 1)

In addition to the direct administration, operation, and employment of U.S. forces, the resource allocation process, as formalized in PPBS, is one of the central concerns of DoD. PPBS is also a source of numerous documents representing the official positions of the Secretary of Defense, Joint Chiefs of Staff, Military Departments, and Defense Agencies on a broad range of defense issues.

Five objectives were established for the review of the PPB system:

- assess the extent to which the PPB system is equal to its purpose (i.e., effectively balancing ends with means);
- evaluate the responsiveness of the PPB system to the management needs of DoD leadership;
- identify problems in the PPB system and their causes;
- assess the extent to which problems in the PPB system are a product of organizational deficiencies; and
- identify and evaluate alternative solutions to PPBS problems that could either be a source or a product of changed organizational relationships.

B. HISTORICAL DEVELOPMENT OF THE PPB SYSTEM

1. Pre-1961 Budget Process

The report, *Planning, Programming, and Budgeting System*, by the Joint DoD/General Accounting Office (GAO) Working Group on PPBS explains the budget process prior to the introduction of PPBS as follows:

The individual military departments had prepared their budgets following their individual interests with relatively little guidance. The involvement of the SECDEF [Secretary of Defense] was largely limited to dividing DoD's budget ceiling among the military departments and reducing the departments' budgets, if they exceeded their share of the pie. This was usually accomplished through across-the-board cuts. There was both little attempt and little ability within the Office of the SECDEF to review the programmatic aspects of the military department's budget submissions. This early approach to budgeting had the following weaknesses:

- Budget decisions were largely independent of plans,
- There was duplication of effort among the services in various areas,
- Service budgets were prepared largely independent of one another with little balancing across services,
- Services felt they were entitled to their fixed share of the budget regardless of the effectiveness of their programs or overall defense needs,
- The budget process focused almost exclusively on the next budget year, though current decisions had considerable consequences for future years, and

—There was little analytical basis on which the Secretary could either make choices among competing service proposals or assess the need for duplication in service programs. (pages 17–18)

Dr. K. Wayne Smith summarizes the pre-1961 budget process as follows:

...requirements planning was being done without explicit regard to cost, and budget planning was being done without regard to need. (*Proceedings of the Conference on the Defense PPBS: Past, Present and Future*, March 1983, page 50).

2. Initiation of the PPB System

The first elements of the current PPB system were introduced to the Department of Defense in 1961 by Secretary of Defense McNamara and were a product of earlier research by The Rand Corporation. The specific intent of the new PPB system was to introduce cost-benefit analysis and other quantitative techniques for the purpose of developing output-oriented programming. At the same time, programming was to be organized around functional mission areas and correlated with a budget process which was extended to project a 5-year defense plan. The broader effect of PPBS was to centralize planning, provide detailed program guidance to the Services, and make the budget a more effective instrument of policy. These broader effects were underscored through the centralized management style of Secretary McNamara.

3. Developments during the 1970's

Developments during the 1970's, both inside and outside the Department of Defense, have had an impact on how the PPB system has operated. Under Secretary Laird, the detailed program guidance from OSD to the Services was replaced with broader Fiscal Guidance. This had the effect of placing the responsibility for program development back in the Military Departments, a feature which has endured to the current system. Also during Secretary Laird's tenure, the Defense Systems Acquisition Review Council (DSARC) was developed to provide more specific oversight of major procurement programs.

The Congressional Budget and Impoundment Act of 1974 also affected the PPB system. By establishing the current congressional budget process, this legislation provided benchmarks against which PPBS participants could measure broad congressional support both for defense in general and for specific programs.

During the Carter Administration, Zero Based Budgeting (ZBB) was instituted with limited success. The goal of ZBB was to more clearly identify marginal programs through an array of decision packages at three different resource levels. ZBB was discontinued early in the Reagan Administration.

A final development of the late 1970's was the establishment on April 7, 1979 of the Defense Resources Board (DRB) by Secretary Brown. Creation of the DRB was recommended in the *Defense Resource Management Study* prepared by Dr. Donald B. Rice and submitted to Secretary Brown during February 1979. While originally intended to oversee a combined programming and budgeting phase

of PPBS, the DRB has functioned with broader and less clear management and decision-making responsibilities, again subject to the style and preference of the Secretary of Defense. However, the DRB remains the senior organization for planning and resource allocation review within the PPB system. When initially established, the DRB had five formal members, one ex officio member (JCS Chairman), and six associate members. As of July 29, 1985, the DRB has 20 formal members and 5 *de facto* members:

Defense Resources Board

Deputy Secretary of Defense —Chairman
 Under Secretary of Defense (Policy)
 Under Secretary of Defense (Research and Engineering)
 Assistant Secretary of Defense (Comptroller)
 Assistant Secretary of Defense (Acquisition and Logistics)
 Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
 Assistant Secretary of Defense (Force Management and Personnel)
 Assistant Secretary of Defense (Reserve Affairs)
 Assistant Secretary of Defense (Health Affairs)
 Assistant Secretary of Defense (International Security Affairs)
 Assistant Secretary of Defense (International Security Policy)
 General Counsel
 Director, Program Analysis and Evaluation
 Director, Operational Test and Evaluation
 Director, Strategic Defense Initiative Office
 Chairman, Joint Chiefs of Staff
 Secretary of the Army
 Secretary of the Navy
 Secretary of the Air Force
 Associate Director of OMB, National Security and International Affairs
 By Invitation:
 Chief of Staff of the Army
 Chief of Naval Operations
 Chief of Staff of the Air Force
 Commandant of the Marine Corps
 National Security Council Staff Representative

C. KEY TRENDS IN THE PPB SYSTEM

It is widely recognized that DoD's budget process would face serious confusion without the organizing influence of the PPB system. Thus, since its introduction, there have been no attempts to radically alter the resource allocation process. However, many initiatives have been undertaken to improve the process, make it consistent with individual management styles, and correlate other internal management review processes with the PPB cycle.

Currently, three key trends are discernible in the continuing evolution of the PPB system: (1) increased participation of senior military officers in the Defense Resources Board; (2) greater interest in

measurements of operational readiness and support costs; and (3) more emphasis on budget execution and oversight. The current trends in the PPB system highlight its flexibility and openness and its ability to be responsive to changing management environments. This underscores the character of PPBS as a process designed to support current organizational relationships and the reasons for its secondary role in this review of DoD organization.

1. Increased Participation of Senior Military Officers in the DRB

Greater participation of the senior military in DRB reviews has been one of the most notable changes to the PPB system undertaken by Secretary Weinberger. It has taken essentially two forms, a change in practice and a change in procedure. In practice, the Service Chiefs have become *de facto* members of the DRB and are now more capable of influencing DRB outcomes than with the previous membership rules under which Service positions were represented only by the Service Secretaries. The change in actual procedure is the receipt by the Defense Resources Board of formal comments from the unified and specified commanders. Particularly with regard to this latter change, the trend is toward providing greater input into PPBS from those responsible for "fighting the war."

2. Greater Interest in Measurements of Operational Readiness and Support Costs

Central to the evolution of the PPB system is the continuing refinement of analytical models which improve for the decision-maker the visibility of those complex interrelationships that cause either net gains or net losses to force capability. The bulk of those analytical tools have traditionally been oriented towards weapons system acquisition and force structure. However, a broader resource analysis capability tied to the measurement of less well-defined policy objectives, such as "readiness", has been lacking. The ability to achieve more precise analysis in this area is still impaired by the difficulty of defining the ingredients of "readiness" and accurately relating resource inputs to the achievement of this policy objective. Even so, the need has been recognized, and the trend toward development of broader resource analysis techniques has been established.

3. More Emphasis on Oversight of Budget Execution

A third trend in the PPB system is toward more emphasis on oversight of budget execution. PPBS is very much a "forward-looking" process wherein results of the actual management of defense programs has been of secondary, even tertiary, importance. Recent moves towards greater integration of administration, review and oversight, and data processing functions have raised the possibility that more timely "feedback" mechanisms will strengthen PPBS as both a resource allocation and resource management process.

D. CURRENT PPBS PROCEDURES

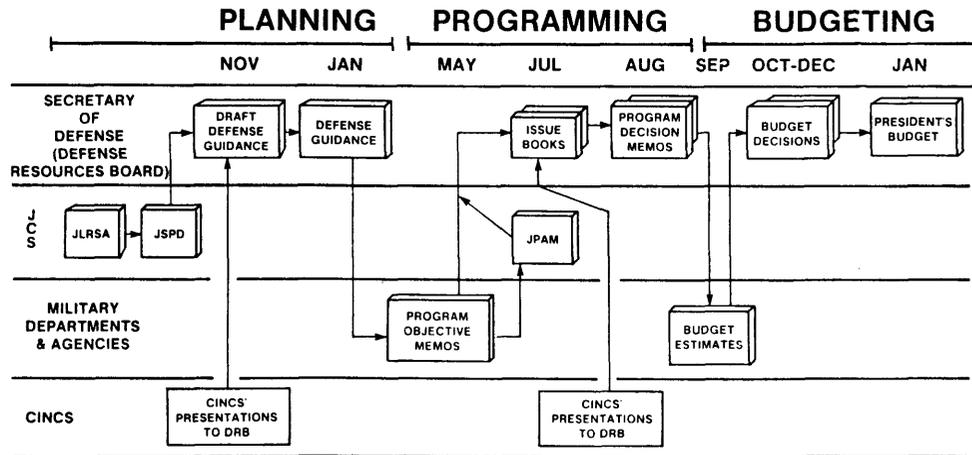
Policy, procedures, and responsibilities for PPBS are presented in DoD Directive 7045.14. Implementing guidance is contained in DoD Instruction 7045.7. The PPB system represents a cycle of approxi-

mately 15 months duration. Chart 7-1 presents a diagram of the current PPBS with its three distinct phases. The *Defense Resource Management Study* describes the activities of these three phases as follows:

. . . planning includes the definition and examination of alternative defense strategies, the analysis of exogenous conditions and trends, threat and technology assessment, and any other tasks associated with looking forward either to anticipate change or to understand the longer-term implications of current choices; programming includes the definition and analysis of alternative forces and weapons/support systems together with their resource implications, the analytical evaluation of options for variation therein, and other staff efforts necessary to construct and understand the Five-Year Defense Plan (FYDP); budgeting includes formulation, justification to the Congress, execution, and control. (page 1)

CHART 7-1

DOD PPBS



JSPD JOINT STRATEGIC PLANNING DOCUMENT
JPAM JOINT PROGRAM ASSESSMENT MEMORANDUM
JLRSA JOINT LONG RANGE STRATEGIC APPRAISAL

1. Planning Phase

The planning phase of the PPB system begins in October with a Joint Long Range Strategic Appraisal (JLRSA) and a follow-on Joint Strategic Planning Document (JSPD) submitted to OSD by the JCS. The JLRSA reflects the foreign policy inputs of other government agencies and identifies broad threats to national interests, while the JSPD is oriented towards defining the scope of military threats and the requirements for U.S. forces. The JSPD is, however, not resource-constrained.

In response to this input, OSD issues Draft Defense Guidance to the Services outlining (either generally or specifically) those military objectives and missions to be accomplished. Before being issued in its final form, the Defense Guidance is reviewed by the unified and specified commanders, whose comments are received by the Defense Resources Board (DRB). The Defense Guidance contains only one page of fiscal guidance identifying a single "topline" number for each Service.

2. Programming Phase

After the Defense Guidance is issued in January, the programming phase begins at the Service level as Program Objective Memoranda (POM's) are developed and submitted to OSD and OJCS in May. In reality, however, POM development begins much earlier as the Services receive projections of future requirements from their major commands and other institutional "claimants". The Services establish their own internal priorities and roadmaps for manning, equipping, training, and maintaining their respective organizations and infrastructures.

The POM's are openly reviewed by OSD and OJCS through the DRB for programmatic content, fulfillment of Defense Guidance, and duplication of effort. Prior to this DRB review, OJCS submits a formal critique of the Service POM's in the Joint Program Assessment Memorandum (JPAM). Through its seat on the DRB, OMB also has the opportunity to review the POM's. Also, the unified and specified commanders again appear before the DRB to provide comments on program issues. The programming phase ends when the Secretary of Defense issues Program Decision Memoranda (PDM's) which represent the formal, albeit temporary, conclusion of internal debate on most major program issues.

3. Budgeting Phase

The budgeting phase begins in September as the Services' budget estimates are reviewed for their accuracy and the consistency of their economic assumptions. The budgeting phase is further characterized by a more detailed definition and incorporation of the overall fiscal constraints being imposed through OMB and fact-of-life adjustments, such as those which might flow from congressional action on the current year's budget or from changes in program execution during the previous year.

December brings final, government-wide, action on the Federal budget and the resolution of any unresolved major program issues. The President's budget request is submitted within 15 days after the Congress reconvenes, usually in January.

4. Description of Key PPBS Documents

Enclosure 2 of DoD Instruction 7045.7 describes the key PPBS documents as follows.

a. Joint Long Range Strategic Appraisal (JLRSA)

The JLRSA is submitted by the JCS to provide transition from long-range to mid-range strategic planning. The JLRSA is intended to stimulate more sharply focused strategic studies. Additionally, the JLRSA influences the development of the JSPD.

b. Joint Strategic Planning Document (JSPD)

The JSPD is submitted by the JCS to provide military advice to the President, the National Security Council, and the Secretary of Defense. It contains a concise, comprehensive military appraisal of the threats to U.S. worldwide interests and objectives, a statement of recommended military objectives derived from national objectives, and the recommended military strategy to attain national objectives. It includes a summary of the JCS planning force levels required to execute the approved national military strategy with a reasonable assurance of success, and views on the attainability of these forces in consideration of fiscal responsibility, manpower resources, material availability, technology, industrial capacity, and interoperability in joint and cross-Service programs. The JSPD also appraises the capabilities and risks associated with programmed force levels, based on the planning forces considered necessary to execute the strategy as a benchmark, and recommends changes to the force planning and programming guidance. The JSPD provides a vehicle for an exchange of views on defense policy among the President, the Secretary of Defense, the National Security Council, and the Joint Chiefs of Staff.

c. Defense Guidance (DG)

After consideration of the military advice of the JCS, as expressed in the JLRSA and JSPD, the Secretary of Defense issues a draft of the DG to solicit the comments of all DoD components, including the operational commands, on the major issues, problems, and resource constraints in developing and programming forces to execute the policy, strategy, and management direction. The draft DG is also provided for comment to the Department of State, the staff of the National Security Council, and the Office of Management and Budget. The final version of the DG, which is the principal output of the planning phase, serves as an authoritative statement directing defense policy, strategy, force and resource planning, and fiscal guidance for development of the POM's. The DG consists of the following elements: near and long-term threat assessment and opportunities; policy and strategy guidance; force planning guidance; resource planning guidance; fiscal guidance; and unresolved issues requiring further study.

d. Program Objective Memoranda (POM's)

Annually, each Military Department and Defense Agency prepares and submits to the Secretary of Defense a POM that is consistent with the strategy and guidance, both programmatic and fiscal, stated in the DG. Major issues that are required to be resolved during the year of submission must be identified. Supporting

information for POM's should be in accordance with the annual POM Preparation Instructions or requirements established by DoD directive or instruction.

e. Joint Program Assessment Memorandum (JPAM)

The JPAM is submitted by the JCS for consideration in reviewing the POM's, developing Issue Books (discussed in the next paragraph), and drafting Program Decision Memoranda (PDS's; discussed later). It provides a risk assessment based on the composite of the POM force recommendations and includes the views of the JCS on the balance and capabilities of the overall POM force and support levels to execute the approved national military strategy. When appropriate, the JCS recommends actions to achieve improvements in overall defense capabilities within alternative funding levels directed by the Secretary of Defense.

f. Issue Books (IB's)

Based on a review of the POM's in relation to the Defense Guidance and JPAM, Issue Books are prepared by the OSD staff, the DoD components, and OMB. One-page outlines of proposed major issues may be submitted by any Defense Resources Board or Program Review Group (PRG) (a working group subordinate to the DRB) member. The issues are to have broad policy, force, program, or resource implications. Particular emphasis is given to cross-service issues that have not been adequately, or consistently, addressed in the POM's. Major issues that were decided during the previous year's program and budget review are addressed only if some major new factors have appeared since that decision.

The proposed issues are first reviewed by the PRG, which recommends whether or not they are appropriate for DRB consideration. The selected issues are developed by an issue team under the direction of a lead office designated by the PRG, and assigned to one of the IB's. Issue Books are sent to the DRB for their review. The full Defense Resources Board meets to discuss the issues. The major issues that are raised during the program review are measured against the Defense Guidance, against available budgetary resources, and against management initiatives. The program produced as a result of the review should demonstrate the maximum degree of policy implementation consistent with national resource limitations. The Deputy Secretary of Defense makes all appropriate decisions after consultation with the Secretary.

g. Program Decision Memoranda (PDM's)

DRB program review decisions are recorded in a set of Program Decision Memoranda (PDM's), signed by the Secretary or the Deputy Secretary of Defense, and distributed to DoD components and OMB. The PDM's then form the basis for the budget submissions.

h. Budget Estimates

Annually, each DoD component submits its budget estimates to the Secretary of Defense. The budget estimates include the prior, current, and budget fiscal years (budget year plus one for programs requiring congressional authorization) in accordance with established procedures. Data for the outyears (the 4 years beyond the

budget year) are derived from, or are consistent with, the Five-Year Defense Plan update coincident with the submission of budget estimates. Budget estimates are prepared and submitted based on the program as approved in the PDM's, and on economic assumptions related to pay and pricing policies. The Assistant Secretary of Defense (Comptroller), in close coordination with the Director, OMB, develops and promulgates the applicable economic assumptions. These assumptions are contained in separately prescribed detailed budget guidance each year, if they are not available in time to be included in the PDM's. Subsequent modifications may be necessary to remain consistent with administration policy.

E. PROBLEM AREAS AND CAUSES

The problem areas in the PPB system lay primarily at each end of the process, i.e. planning and execution. However, there are also latent concerns about the overall length, complexity, and instability of the PPBS cycle. This section identifies seven problem areas in the PPB system and presents analyses of the contributing causes. First, strategic planning is ineffective. Second, there is an insufficient relationship between strategic planning and fiscal constraints. Third, there is an absence of realistic fiscal guidance. Fourth, the output side of the defense program is not emphasized in the PPBS. Fifth, the JCS system is unable to make meaningful programmatic inputs. Sixth, within the PPB system, there is insufficient attention to execution oversight and control. Last, the PPBS cycle is too long, complex, and unstable.

It should be noted that none of these seven problem areas are new. Various study efforts —within the Department of Defense, by other government agencies, and by the defense academic community —have previously cited these problems in PPBS. In particular, the current administration undertook an assessment of PPBS shortly after entering office. This assessment, conducted by Vincent Puritano, then Assistant Secretary of Defense (Comptroller), and completed on March 13, 1981, identified 21 deficiencies in the PPB system. As summarized in testimony before the Senate Committee on Armed Services on November 10, 1983 (Part 9, pages 388-394), the deficiencies included:

- the failure to create a credible planning system;
- planning was irrelevant or useless during the programming and budgeting phases;
- the existence of an objectives-force (policy-capabilities) mismatch;
- an imbalance between modernization and readiness funding;
- "tail-end perturbations" in PPBS as major budget reductions were required late in the cycle by OMB and presidential decisions on fiscal levels;
- tendency of the JCS not to play an active part in the programming phase;
- neglect of execution;
- only limited feedback to policymakers/programmers to improve subsequent cycles; and
- program instability.

As a result of the assessment in 1981, Deputy Secretary of Defense Carlucci issued a memorandum on March 27, 1981 that made numerous changes in the PPB system and presented the management philosophy of the Secretary and Deputy Secretary of Defense. The major provisions of this memorandum were:

- modifying the existing PPBS to reflect a shift to greater emphasis on long-range strategic planning;
- greater decentralization of authority to the Services;
- closer attention to cost savings and efficiencies;
- elimination of most of the paperwork required by the Zero Based Budget (ZBB) system;
- a restructuring of DoD's top management board, the Defense Resources Board (DRB);
- an increase in the responsibilities and roles of the Service Secretaries;
- a change of roles and relationships between the various OSD staff agencies and the Services;
- a new process for management review by the Secretary of Defense of progress toward objectives in major programs;
- a general streamlining of the entire PPBS. (Part 9, page 388)

The changes directed by Secretary Carlucci's memorandum were designed to correct the many deficiencies identified in PPBS. Many of the changes have been effective in correcting or lessening the problems identified in 1981. However, certain problems, especially those identified in the preceding paragraph, continue to exist.

1. INEFFECTIVE STRATEGIC PLANNING

The Department of Defense conducts planning of two distinct types: (1) resource allocation planning and (2) contingency (or capabilities) planning. Resource allocation planning is conducted primarily by OSD and OJCS with appropriate inputs and review by the Military Departments and operational commanders. These plans are developed to serve as resource allocation tools rather than strategies for military action. Contingency planning is conducted by OJCS and the operational commanders and provides plans for the actual employment of forces to accomplish specific military missions.

In this chapter, only planning in the resource allocation process will be discussed. As the term "long-range planning" is often used to cover both the planning and programming phases of PPBS, it is too broad to describe only the planning phase. To address only the planning phase of PPBS and to distinguish it from other planning conducted in DoD, it will be termed "strategic planning." In this context, strategic planning encompasses selection of objectives, identification of constraints (including fiscal), formulation of a strategy to secure these objectives, and decisions on supporting policies and broad resource allocations.

The problem of ineffective strategic planning in DoD has existed for an extended period of time. The 1979 *Defense Resource Management Study*, citing the lack of planning as a major PPBS problem, states: "There is broad agreement that the first 'P' in PPBS is silent." (page 6) The Georgetown Center for Strategic and International Studies (CSIS) report, *Toward a More Effective Defense*, adds

to this criticism: ...“the planning that takes place in the Department of Defense is not linked adequately to subsequent programming and budgeting decisions.” (page 38) In his draft paper, “Strategymaking in DoD”, Ambassador Robert W. Komer, former Under Secretary of Defense (Policy), expands on these themes:

As a former practitioner, my own evaluation of our non-nuclear strategymaking is harsh. There is all too little systematic strategymaking in DoD, except in the strategic nuclear arena. Instead the reality is best characterized as a piecemeal, irregular, highly informal process, largely driven by cumulative program decisions influenced more by budget constraints and consequent inter-service competition than by notions of U.S. strategic priorities. Little long term policy or strategic planning takes place, except for adapting to new technology. There is little consideration of strategic alternatives. (page 23)

...All this is not to say that policy and strategic thinking does not recurrently influence programs and resource allocations, only that it does so in a spasmodic and usually unstructured way. (page 26)

In discussing the sources of ineffective strategic planning, this subsection will focus on seven generic causes. An eighth possible cause is listed, but a determination as to its existence was not possible. Beyond these generic causes, two specific shortcomings of the strategic planning process were identified; one of these was considered a cause of ineffective strategic planning while the other was viewed as a product. In any case, given their seriousness, they are treated as separate problem areas in the two subsequent subsections.

a. Dominance of Programming and Budgeting

First, within the current PPBS, programming and budgeting tend to dictate strategic planning rather than the reverse. There are several factors that have contributed to this occurrence. First of all, the programming and budgeting cycles are too long and essentially squeeze out a structured strategic planning effort. Second, resource managers —both from OSD and the Services —dominate the process through which objectives, strategy, and policies are translated into resource allocations.

b. Lack of Management Discipline in OSD

A second major cause of ineffective strategic planning is the inability of OSD to discipline itself to give strategic planning proper attention. OSD places too much attention on resource questions and on immediate problems. Much of this is in response to outside demands, especially from the Congress, which divert attention from strategic planning. The lack of discipline is a key issue because ineffective strategic planning is more of a management problem than an organizational problem; high-level defense officials have apparently failed to recognize the importance of planning and have not given it sufficient priority on the work agenda of OSD. In some instances, this has resulted as key OSD positions have been filled by individuals who are not well versed in national security planning.

c. Inability of the JCS System to Provide Useful Strategic Planning Advice and to Formulate Military Strategy

The PPB system provides an important role for the JCS system in strategic planning. The two initial planning documents are prepared by the JCS system: the Joint Long-Range Strategic Appraisal (JLRSA) and the Joint Strategic Planning Document (JSPD). Despite this prominent role, the JCS system has failed to play a useful role in strategic planning. The *Defense Resource Management Study* comments on this deficiency:

The implication to the uninitiated has been that these documents formed an important foundation for the process. In fact, *the joint documentation was generally considered irrelevant to the process*. The weaknesses of joint staffing cited in the Steadman Report [*Report to the Secretary of Defense on the National Military Command Structure* by Richard C. Steadman, July 1978] play a role in explaining the reason for this low regard of the product, as do timing of the presentation, the utter impossibility of the assumed tasks (comprehensive annual assessments of national military strategy and force structure), and, most seriously, an inability to grapple with alternatives linked to resources. (emphasis added) (page 21)

Admiral Elmo R. Zumwalt, Jr., USN (Retired) supports the criticism of ineffective strategic planning by the JCS system. In *On Watch*, he comments on the Joint Strategic Objectives Plan (JSOP), as the JSPD was previously titled:

...I found this particular document to be almost as valueless to read as it was fatiguing to write. Some of its prescriptions always were in the process of being falsified by events. Others were so tortured a synthesis of mutually contradictory positions that the guidance they gave was minimal. (page 334)

d. Lack of Consensus

A fourth cause is that it is difficult to achieve a consensus on a coherent military strategy and related policies. This results from the following factors:

- strategic planning in DoD is an enormously difficult and complex task given the numerous and wide range of threats and fiscally constrained resources;
- absence of organizations with mission orientations participating in the strategic planning process;
- in protection of their narrow interests, many organizations prefer ambiguity in terms of U.S. objectives and mission priorities; and
- each Service has its own global military strategy which permits it to justify its programs and is primarily driven by resource competition.

The failure to develop a coherent military strategy with mission priorities has led to a perception of an objectives-force mismatch, often, but incorrectly, referred to as a "strategy-force mismatch". (Strategy attempts to effectively employ given forces to achieve stated objectives. If there is any mismatch, it must be that the objectives are too great to be achieved by available forces.)

e. Inadequate Strategic Planning Machinery

A fifth cause is that current strategic planning machinery is inadequate. As Ambassador Komer has noted, strategic planning is currently a piecemeal, irregular, and highly informal process. In particular, the Defense Resources Board, a large and unwieldy committee (20 formal members and 5 *de facto* members) oriented toward resources, appears to be the only operative forum for strategic planning. (Despite its name, the Armed Forces Policy Council is not involved in policymaking or strategic planning.) Given the complexity of strategic planning issues, the large number of officials that should be involved, and the substantial demands on their time (which tends to shortchange strategic planning), it appears that a more structured and formal strategic planning process would be beneficial.

f. Weak Strategic Planning Tradition

A sixth major cause is the weak tradition of strategic planning in DoD. U.S. strategic thought is really a product of World War II and the post-war world. For most of American history, the U.S. military did not need to formulate grand strategy. Since World War II, much work has been done on nuclear strategy and policy, but conventional strategy and policy have suffered from inadequate attention.

The weak tradition of strategic planning is also evidenced by the failure of the U.S. military education system to focus systematically on it, for example through strategic war games or the study of military history. As Liddell Hart put it, "in all our military training...we invert the true order of thought —considering techniques first, tactics second, and strategy last" (*Thoughts on War*, page 129). It should be noted, however, that the Services have recently placed increased emphasis on war games, often involving unified and other operational commanders.

g. Inadequate Policy and Planning Guidance

A seventh major cause of ineffective strategic planning is inadequate policy and planning guidance. Effective guidance for strategic planning requires a clear statement of policy and objectives which can be used for strategy formulation and program and budget development. The guidance issued by OSD has been inadequate for these purposes.

The Steadman Report noted the deficiencies in policy and planning guidance:

...Most military officers believe that more clear and definitive national security policy guidance is needed for strategic planning. If adequate policy guidance is not given to military planners, they must prepare their own, as a necessary starting point. Some argue that previous national security policy guidance was too general to be useful, and it certainly is true that vague or all-encompassing statements of defense policy objectives are of little help in detailed force planning. On the other hand, programs constructed without clear policy directives can only be prepared on the basis of policy goals determined by the programmer himself, but often not made explicit for senior decisionmakers to accept or reject. (pages 42 and 43)

General David C. Jones, USAF (Retired) presented similar criticism in testimony before the Senate Committee on Armed Services:

Current guidance is so demanding that developing truly coherent programs to carry it out is impossible even under the most optimistic budget assumptions....the defense guidance does little to set meaningful priorities or mandate a search for new directions to maintain our security. This is not a problem unique to this Administration. (SASC Hearing, December 16, 1982, pages 19 and 20)

h. Insufficient Guidance from the National Security Council

Some observers have expressed the view that another cause of ineffective DoD strategic planning is insufficient guidance from the National Security Council on grand strategy, U.S. strategic interests, and U.S. worldwide commitments and their priorities. It was not possible, within the scope of this effort, to determine the validity of this view.

2. INSUFFICIENT RELATIONSHIP BETWEEN STRATEGIC PLANNING AND FISCAL CONSTRAINTS

While the review of the PPBS identified weaknesses across the entire range of strategic planning tasks, one major shortcoming was frequently noted: an insufficient relationship between strategic planning and fiscal constraints. It is central to the PPB system that programs and budgets should flow from requirements identified in the strategic planning process which, itself, results from broader national security and foreign policy planning. At present, however, DoD strategic planning resources are underutilized because they are not effectively applied to solving the major policy, strategy, and program issues that result from fiscal constraints. The reconciliation of policy guidance and strategy formulation with fiscal constraints must remain a central objective of the PPB system.

The symptoms of an insufficient relationship between strategic planning and fiscal constraints include: (1) limited utility of strategic planning documents in the programming and budgeting phases; (2) unattainable defense guidance; and (3) the growing distances between the recommended planning force, the POM force, and those inherent capabilities remaining after congressional action on the budget. Given the inability to effectively apply fiscal constraints to joint military planning, much of the strategic planning effort has been perceived as not being useful to PPBS participants. The CSIS report, *Toward a More Effective Defense*, comments on this situation and the deficiencies that result:

...joint military planning is not constrained by realistic projections of future defense budgets. Consequently, the primary JCS planning documents are fiscally unrealistic and therefore largely ignored in the programming and budgeting process. Instead, national military force planning results from loosely coordinated, parallel dialogues between OSD and each of the individual service departments. This often results in disparate plans that do not optimize the potential contribution of each military service to national strategic objectives. (page 38)

There are three basic causes of the problem of an insufficient relationship between strategic planning and fiscal constraints: (1) fiscally unconstrained planning; (2) a flawed strategic planning process; and (3) the institutional deficiencies of the JCS system.

a. Fiscally Unconstrained Planning

The divergence between strategic planning and fiscal constraints originates with the second procedure in the PPBS cycle: the preparation of the Joint Strategic Planning Document (JSPD). As previously noted, the JSPD is not resource-constrained. Fiscally unconstrained planning fulfills a useful, if narrow, role in providing benchmarks from which to compare the required force structure with actual capabilities. However, using a fiscally unconstrained document as the principal, joint military input to the formulation of the Defense Guidance, which is resource constrained, provides an unsound foundation for subsequent strategic planning.

While strategic planners obviously would seek to distinguish those JSPD objectives, strategies, and policies that would be altered in a fiscally constrained environment, this is not an easy task. In essence, many of the conceptual products of fiscally unconstrained thinking are carried forward, unaltered, through subsequent PPBS steps—the Defense Guidance, Service Program Objective Memoranda, the Joint Program Assessment Memorandum, and final programming and budgeting decisions. These concepts may also have undue influence on contingency planning which is conducted outside of the PPBS process. The Joint Strategic Capabilities Plan (JSCP), which furnishes guidance on military tasks to be accomplished in the short-range period for use in the preparation of contingency plans by the operational commands, may be substantially based on the fiscally unconstrained thinking contained in JSPD.

b. Flawed Strategic Planning Process

The strategic planning process in DoD should contain the following sequential steps:

Step 1 - analysis of external conditions and trends, including threat and technology assessments

Step 2 - setting of policy and planning objectives and identifying constraints, especially fiscal

Step 3 - definition and examination of alternative defense strategies to meet these objectives within these constraints

Step 4 - setting of program objectives and broad resource allocations

In the current DoD strategic planning process, Step 3 (strategy formulation) is underdeveloped. The Joint Strategic Planning Document does not fulfill the tasks associated with this step. The JSPD is part of Step 1 in that it merely helps to assess the inherent military risks associated with the resource-constrained posture adopted in Step 2. Essentially, in the current PPB system, Steps 2 and 3 have been combined in the Defense Guidance. The Defense Guidance does take the strategy recommended in the JSPD and create from it a resource-constrained strategy. The utility of such an approach is highly questionable.

Sir Basil Liddell Hart spoke of military strategy in the following terms:

...strategy depends for success, first and most, on a sound calculation and coordination of the ends and the means. (*Strategy*, page 335)

It is absolutely clear that the Department of Defense does not have a military strategy that clearly tailors goals to resources. This is a serious deficiency because, as Jeffrey Record has stated in *Revising U.S. Military Strategy*:

A strategy whose goals far exceed resources available for their implementation is a recipe for potential disaster. (page 1)

c. Institutional Deficiencies of the JCS System

The formulation of a strategy that is constrained by fiscal realities would place certain strategic goals of the Services at risk. Observers believe that the institutional deficiencies of the JCS system in which Service priorities predominate would place great strains on the organization if it attempted to formulate a fiscally constrained strategy.

3. ABSENCE OF REALISTIC FISCAL GUIDANCE

The development of fiscal guidance is one of the key tasks of the strategic planning process. The establishment of fiscal constraints is an important step before strategy can be formulated. The absence of realistic fiscal constraints, especially for the outyears of the planning effort, can undermine the value of the formulated strategy. The absence of realistic fiscal constraints (or guidance) has an effect, however, that reaches far beyond the planning phase into the programming and budgeting phases. Fiscal guidance which significantly exceeds the President's budget, which itself significantly exceeds the amounts eventually approved by Congress, clearly undermines and impairs the PPB system. The absence of stable and realistic budget constraints is a management, not a structural or procedural, problem. Even so, it is important to understand the impact of management problems on the resource allocation process.

The effect of over-optimistic fiscal guidance within the programming and budgeting framework is obvious. When the fiscal guidance is substantially higher than the budget guidance ultimately approved by the President, the hard decisions are thus deferred beyond the programming phase and, according to the *Defense Resource Management Study*: "set up pressures to unbalance the program as a way of coping with budget 'cuts' in the final stages of budget review, effectively wasting much of the year's programming effort." (page 7)

The relatively orderly process of POM preparation and review is, in practice, subsequently undercut by severe budget reductions, both internal and external to DoD. In fact, even within the internal DoD budget formulation and review process, significant programmatic decisions must be made to accommodate substantial budget reductions which are mandated late in the PPBS cycle. In recent years, between the time that the Joint Program Assessment Memorandum is submitted and Congress completes action on the budget (approximately 1 year), upwards of \$30 billion has been reduced from the budget without making any joint military or civil-

ian reassessment of program priorities. Such substantial reductions with their outyear implications are certain to produce a gap between planning and capabilities and undermine the benefits of the structured PPB system.

If the fiscal guidance is well above the levels attainable in the presidential budget review and/or the levels approved by the Congress, the PPB system will have allowed too many programs to enter or to be expanded during the programming phase, not just in the budget year, but also through the Five-Year Defense Plan (FYDP). Year-end budget adjustments, combined with congressional reductions, turn into major policy and programming problems — problems frequently unresolved and pushed further into the out-years of the FYDP. For example, 70 percent of the defense budget reductions made by the Congress for fiscal years 1982 through 1985 involved stretching out programs into future years. Rather than refining resource allocation decisions around the margins during the budget year, the PPB system becomes overburdened with major instabilities that consequently undermine the planning and programming phases of the next cycle. As an example, Table 7-1 shows the wide differences, totaling \$165 billion, between the 5-year funding levels projected in the March 1981 FYDP and those actually approved by the Congress.

TABLE 7-1

ESTIMATES FOR NATIONAL DEFENSE

(Current dollars in billions)

		<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	
March 1981 FYDP							
	Budget Authority (BA)	226	260	295	333	374	
	Outlays (O)	189	226	256	304	343	
Approved by Congress	BA	217	245	265	293 ^a	303 ^b	
	O	185	210	227	254 ^a	273 ^b	
							<u>TOTALS</u>
Difference	BA	-9	-15	-30	-40	-71	-165
	O	-4	-16	-29	-50	-70	-169

^a Estimate

^b First Concurrent Budget Resolution as recommended by the Senate during May 1985.

There are four basic causes of unrealistic fiscal guidance: (1) differences in political judgments; (2) economic uncertainties; (3) the bureaucratic tendency for built-in growth; and (4) competition over

fundamental constitutional responsibilities for the Federal budget. These four factors frequently combine to produce unattainable budgets which represent the first years of unattainable FYDP's.

a. Differences in Political Judgments

Fiscal guidance is promulgated by the Secretary of Defense to the Military Departments 12 months before the President submits his budget to the Congress and about 21 months before the Congress completes its review of the DoD budget request. Those Executive Branch officials who help formulate the fiscal guidance must project the politics of the budgetary process into a difficult-to-predict future. Wide swings in public opinion over relatively short periods of time indicate the difficulty of making such political judgments.

b. Economic Uncertainties

There are two aspects of economic uncertainty that have an impact on the defense budget. The first relates to the health of the national economy, its ability to support the Federal budget, and demands on the Federal budget or fiscal policy that flow from the economic situation. The second aspect is the extent to which events in the national economy raise or lower the costs to DoD to execute equipment or personnel programs. The uneven track record of economic forecasting is clear evidence of the inherent uncertainties in this area.

c. Bureaucratic Tendency for Built-in Growth

The Pentagon has historically had considerable difficulty in making the tough decisions to adjust programs to the fiscal resource levels provided for national defense. As a result, many fiscal problems are pushed into the outyears for solutions, known as "getting well in the future". The enormous procurement bowwaves in DoD are well-known examples. Programs are structured on the generally unrealistic assumption that substantial funds will be available in the outyears. This produces enormous internal pressures for projecting high rates of growth in the defense budget.

d. Competition over Fundamental Constitutional Responsibilities

In recent years, there have been substantial discrepancies in the budgetary priorities of the Executive and Legislative Branches. Despite significant defense budget reductions by the Congress, the Executive Branch has continued to press for its priorities by proposing defense budgets with significant real growth. In this regard, there is the possibility that some "gaming" is present in the formulation of budget policy. Especially with regard to defense budgets, which are routinely cut by the Congress, the desire of any administration to achieve meaningful real growth may actually require that initial requests be considerably higher.

As a flexible support mechanism for management, PPBS is capable of responding to the problem of unrealistic fiscal guidance. Even so, no evidence was found that the PPB system is as actively involved in the well executed reduction of budgets as it is in constructing them. The effectiveness of PPBS depends upon the internal consistency and political feasibility of the policy, programming, and fiscal inputs which begin the PPBS cycle. To the extent these

inputs are unbalanced, the PPBS product will lose much of its value, and confidence in DoD's resource allocation process will be undermined.

4. FAILURE OF THE PPBS TO EMPHASIZE THE OUTPUT SIDE OF THE DEFENSE PROGRAM

When PPBS was instituted, it was described as providing "a mission-oriented program budget" and "output-oriented programming". While PPBS has enhanced the prospects for such results, it has fallen far short of its potential in this regard. PPBS focuses on inputs and not on outputs. One of the effects of the failure to emphasize outputs is the imbalance between modernization and readiness.

General David C. Jones, USAF, commented as follows on this problem while he was serving as JCS Chairman:

There is not enough emphasis in the government on the "output" side of the Defense program (e.g., readiness). In particular, there is too little emphasis on Joint activities, which are primarily output-oriented. The Department of Defense traditionally organizes around inputs, not outputs; its priorities are driven by such issues as procurement decisions, manpower levels and policies, budget deadlines, Congressional hearings, and other program-oriented activities. Thus, the DoD has tended not to deal effectively with "output" issues such as readiness, integrated force capabilities, and crisis management preparations. The latter are all primary JCS issues —difficult under the best of circumstances, and certainly not resolved effectively when not given equal time in the defense management process. (*Chairman's Special Study Group Report*, page 22)

There are five basic causes of the failure of PPBS to emphasize the output side of the defense program: (1) the Defense Resources Board is dominated by officials who have a strong input orientation; (2) the absence of OSD organizations that have a multi-functional, mission (or output) orientation; (3) the limited influence of the unified commanders on the resource allocation process; (4) the limited independent authority of the JCS Chairman; and (5) the inability of the JCS system to make meaningful programmatic inputs.

The last four causes are discussed in detail in other chapters of this study; the last cause is also discussed in the following subsection as a distinct problem area because of its broader impact on the resource allocation process. As to the first cause, the only DRB officials who might be viewed as having at least some orientation toward output considerations are the Deputy Secretary of Defense, JCS Chairman, Under Secretary (Policy), Assistant Secretary (International Security Affairs), and Assistant Secretary (International Security Policy). However, the last three officials have played only a limited role in resource allocation decisions. As a result, the functional OSD assistant secretaries and the Service representatives—who are clearly input-oriented—dominate DRB proceedings. As to the Services, the Chairman's Special Study Group confirms their input focus:

...the Service Chiefs and their Service staffs devote most of their time to Service programs and budgets —the *input* side of defense management. (page 6)

5. INABILITY OF THE JCS SYSTEM TO MAKE MEANINGFUL PROGRAMMATIC INPUTS

The resource allocation process does not yield the optimum military capability with the fiscal resources available because there is an insufficient joint military input. The current PPB system, through the Joint Program Assessment Memoranda, theoretically provides for this input. Instead of providing strong joint military comment about broad defense priorities, the JPAM is used only to restate the requirements for narrow, cross-Service programs already outlined in the Defense Guidance. The JPAM remains constrained by the institutional limitations of the current JCS system which are discussed at length in Chapter 4 of this study.

6. INSUFFICIENT ATTENTION IN THE PPBS TO EXECUTION OVERSIGHT AND CONTROL

As noted in Section C of this chapter which addresses key trends in the PPB system, there has been increased emphasis on oversight of budget execution. As Assistant Secretary Puritano's statement submitted to the Senate Committee on Armed Services cites:

There is what I would like to describe as a fourth phase to PPBS, perhaps best referred to as "management execution." We have spent a good deal of time and effort seeing that once a decision has been made through the above described process, that it is in fact carried out in as effective and cost-efficient a manner as possible. We have set up management responsibilities to see that just that happens. (Part 9, page 371)

Despite this desirable emphasis, the PPB system continues to be too "forward-looking."

As the programming and budgeting phases of PPBS represent DoD's management control system, they must include adequate provisions to monitor the execution of program and budget decisions (and, to a lesser extent, planning decisions). The *Defense Resource Management Study* recognizes this need in its description of the budgeting phase of PPBS: "budgeting includes formulation, justification to the Congress, execution, and control" (page 1)

Anthony and Herzlinger in their book, *Management Control in Nonprofit Organizations*, identify two benefits of a good management control system for an organization:

1. It can make better plans: plans that are related to organizational objectives and which, in many cases, are based on an analysis of the relative benefits and cost of proposed alternative courses of action.
2. It can have better control; that is, more assurance that operating managers will act efficiently and effectively to accomplish the organization's objectives. (page 337)

As currently structured, the PPB system in DoD is heavily oriented toward the first benefit of making better plans. The potential of PPBS to provide for better control has not been realized.

Chapter 3 discusses OSD's concerns about the Services' failure to comply with OSD guidance for program development and management. Chapter 6 discusses the ability of the Military Departments to block implementation of decisions by the Secretary and Deputy Secretary of Defense or senior DoD decision-making bodies. These problems clearly indicate that DoD does not have a structured process to exercise sufficient oversight of policy, program, or budget execution. The *Defense Resource Management Study* cited the absence of feedback as one of the PPB system's major problems:

The PPB System has never had an explicit measurement system for tracking the progress made in implementing approved programs....Better feedback is needed, not only to monitor execution, but also to make adjustments to past decisions that, in turn, will motivate better execution. (page 9)

Some observers believe that the current inattention to execution oversight and control is so severe in DoD that the PPB system should be modified to add an explicit control phase, thus becoming the Planning, Programming, Budgeting, and Controlling System (PPBCS).

The Georgetown Center for Strategic and International Studies report, *Toward a More Effective Defense*, discusses the lack of attention to execution and oversight in PPBS:

In theory, PPBS should be a circular process with financial and performance data from one year's cycle serving as the planning base for the early phases of the next year's process. In practice, however, PPBS essentially starts fresh each year. Little systematic attention is given to the evaluation of past program decisions. Major weapon programs that have high congressional visibility are sometimes an exception to this generalization, because their cost and performance data tend to be monitored more closely. But PPBS has never included an explicit and comprehensive system for measuring and reporting progress in implementing approved programs. (page 42)

Increased emphasis on execution oversight and control would have four benefits:

- provide for more immediate feedback into the decision-making process;
- result in improved financial control over spending;
- provide a more sound basis for budget revisions, reprogrammings, and contingency allowances; and
- help illuminate some of the undesirable behavioral patterns in subordinate organizations.

There are two major causes of the problem of insufficient attention in PPBS to execution oversight and control: (1) focus of principal PPBS participants on the future and (2) inadequate accounting and management information systems.

a. Focus of PPBS Participants on the Future

Of the 20 formal members of the Defense Resources Board (DRB), only three —the Service Secretaries —have direct responsibilities for program and budget execution. The other DRB members are fo-

cused on the future—on the budgets to be presented to the President and to the Congress next year and subsequent years. They make decisions as if they were missiles that can be “fired and forgotten”. Given the dominating focus on the future, there is little time to worry about execution. Put into perspective, however, despite all of the forward planning and decision-making, execution is what actually happens.

b. Inadequate Accounting and Management Information Systems

The CSIS report, *Toward a More Effective Defense*, argues that both accounting systems and management information systems in DoD are inadequate to support effective execution oversight and control which CSIS terms “evaluation”:

...the department’s accounting base is inadequate to support effective evaluation. Department of Defense financial reports provide a mass of data, but the financial information in these reports is often inconsistent, incomplete, and untimely. The source of many of these shortcomings is the department’s reliance on accounting systems that operate almost exclusively on an obligational basis. Under this system, an economic event is measured when the resources are “obligated,” that is when contracts are awarded or orders placed—an emphasis that is understandable in terms of the department’s fiduciary responsibilities. Obligation-based data, however, inhibit the evaluation of program effectiveness and management performance by focusing attention on the time of the commitment, with little monitoring of the actual delivery or the effective use of the resources acquired.

...The absence of sophisticated management information systems also impedes effective program evaluation. There are some areas, such as personnel recruiting and retention, in which the department has developed effective management information systems, but there are numerous others in which such systems are either incomplete or do not exist. The lack of integrated performance data is particularly severe with respect to combat readiness, as the 1978 Steadman Report pointed out. (page 42)

7. LENGTH, COMPLEXITY, AND INSTABILITY OF THE PPBS CYCLE

The PPB system of the Department of Defense represents the most sophisticated resource allocation process within the Federal Government. Within a 15-month cycle, it is designed to translate broad national security objectives into a 5-year defense plan and a current year budget. It is so complex that it literally catches itself coming and going. Different phases of PPBS are often simultaneously addressing three different budgets: executing the current year’s budget; programming, budgeting, or justifying next year’s budget; and planning for the year beyond that.

Standing alone, there would be few concerns about the length or complexity of PPBS. However, PPBS is only one of several vital responsibilities of DoD’s military and civilian leadership. The day-to-day administration of defense programs, communications with the Congress, international relations, and crisis management are all of equal importance with PPBS in the larger scheme of defense man-

agement. PPBS, however, is an internal process which, though influenced by outside factors, can be controlled. Consequently, many defense officials turn to PPBS and the broader budget process in search of opportunities to save time and to improve their ability to respond to those events and responsibilities beyond their immediate control. As a result of the dominance of programming and budgeting, the strategic planning process is more frequently short-changed when the PPB system receives less time and attention from senior DoD officials.

Instability is one of the major problems in the PPB system. With the exception of unrealistic fiscal guidance, the causes of instability are clearly associated with external influences rather than internal deficiencies. The Congress is the primary external source of this instability.

The problem of the length, complexity, and instability of the PPB system represents a general frustration among those who work within the PPB system. There is broad consensus that the cycle is too long and that too many factors, both inside and outside the Pentagon, undermine its effectiveness. Recent evolutionary changes in PPBS, however beneficial, do not go far enough to address the concerns of those who participate in the PPB process. In short, the PPBS bureaucracy is ready for, and will likely be receptive to, broader changes in the Federal budget process (from whatever source) aimed at greater certainty and stability and less congressional interference.

Five of the six PPBS problem areas discussed in preceding subsections have an impact on the length, complexity, and instability of the PPBS cycle. Of these, the absence of realistic fiscal guidance clearly has the greatest negative impact. Beyond these broader problems, there are five other causes of a too long, complex, and unstable PPB system: (1) total annual review of plans, programs, and budgets; (2) sequential nature of the separate planning, programming, and budgeting phases; (3) length and instability of the congressional budget process; (4) conflicting congressional guidance on defense policies and programs; and (5) congressional micro-management of defense programs.

The last three causes involve the Congress. These issues and others associated with the Congress and its political processes are so serious that they are addressed separately in Chapter 9 of this study. This subsection will focus, therefore, only on the first two causes.

a. Total Annual Review of Plans, Programs, and Budgets

The PPB system completely rewrites all strategic planning documents and conducts reviews of all programs and budgets each year. The workload associated with these tasks is enormous. It does not appear that each planning and resource decision must be reconsidered every year.

b. Sequential Nature of the Separate Planning, Programming, and Budgeting Phases

Presently, the PPB system provides for three distinct phases that await the results of the preceding phase before being initiated. This

sequential nature of the three phases demands a long period of time to be conducted.

F. DESCRIPTION OF SOLUTIONS TO PROBLEM AREAS

In this section, possible solutions to PPBS problem areas are described. It should be noted that the options presented in this section to solve a problem area 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—INEFFECTIVE STRATEGIC PLANNING

The thrust of solutions to the problem of ineffective strategic planning is to strengthen and formalize the strategic planning process. Proposals in this regard can be grouped into four categories: (1) lessen the focus on programming and budgeting; (2) strengthen strategic planning skills; (3) create a separate strategic planning office either in OSD or OJCS; and (4) make other changes to strengthen the prospects for improved strategic planning. A total of ten options has been developed within these categories. Three of these options involve formal organizational change which may require legislative action. However, the bulk of the options in this area merely require management attention and initiatives.

a. lessen the focus on programming and budgeting

- Option 1A—diminish OSD's focus on resource programs by lessening the role of OSD resource managers

This might be done by (1) changing the hierarchical structure of OSD; (2) changing the OSD membership on the Defense Resources Board (DRB); (3) substantially reducing the size of the OSD staff; (4) creating mission-oriented offices which would have a more balanced approach to strategic planning and resource decisions; or (5) creating a forum other than the DRB to make strategic planning decisions.

In this last regard, the *Department Headquarters Study* suggested the reestablishment of the Armed Forces Policy Council (AFPC) to offer the Secretary of Defense regular and frequent advice in the formulation of defense policy. While the AFPC is currently active, it is not frequently, if at all, used in the formulation of policy. If the Defense Resources Board were found to be an inappropriate forum for strategic planning decisions, the AFPC could be used to conduct this work. This idea appears to have merit because the AFPC membership includes the principal officials of DoD from whose interaction major strategic planning documents should emerge. Such a use of the AFPC would be consistent with section 171(b) of title 10, United States Code, which provides:

- (b) The Armed Forces Policy Council shall advise the Secretary of Defense on matters of broad policy relating to the armed forces and shall consider and report on such other matters as the Secretary of Defense may direct.

Alternatively, an executive committee of the DRB could be formed whose members would be only the most senior DoD managers with broad and important strategic planning inputs.

- Option 1B—lessen congressional interest in program details and increase congressional interest in major planning and policy issues

Implementation of this option would require action by both the Executive and Legislative Branches. DoD must substantially increase its efforts to engage the Congress in an active dialogue on major defense planning and policy issues. Within the Congress, the leadership must attempt to reorient the focus of congressional review from program details to more fundamental and important issues.

b. strengthen strategic planning skills

- Option 1C—appoint senior OSD officials with strong strategic planning interests and skills

In line with the view that ineffective strategic planning is more of a management problem than an organizational problem, skilled managers are critical to solving this deficiency. Only such managers can discipline OSD and other DoD elements to conduct adequate strategic planning and make the strategic planning organizational machinery—whatever it may be—work.

- Option 1D—reorient war colleges and military academies to strengthen the study of strategy and military history

This proposal responds to the need to strengthen the strategic planning tradition in the U.S. military establishment. Some critics of the current curricula of the war colleges and the academies have argued that there is increasing emphasis being placed upon science and engineering skills, to the detriment of other skills that are more purely military in nature. This viewpoint holds that certain insights and qualities needed by officers cannot be obtained in a typical college curriculum and that much greater emphasis should be placed on the study of military history, strategy, and the like.

Obviously, the more military history and strategy that the U.S. officer corps collectively knows, the better off the Nation will be. On the other hand, the war colleges and academies, like all educational institutions, must seek a balance and cannot teach everything. Ultimately, the judgment as to what should be taught in the military colleges and academies is probably one that should be left to the military professionals, since these schools are where the fundamental values, outlook, and skills of the profession are embodied and transmitted.

While this option may be desirable, further study of it is beyond the scope of this effort. For this reason, more detailed discussion and evaluation of this proposal are not presented.

c. create a separate strategic planning office either in OSD or OJCS

- Option 1E—create an OSD strategic planning office

Several studies have proposed the creation of a separate OSD planning staff. The Blue Ribbon Defense Panel recommended that:

A Long-Range Planning Group should be created for the purpose of providing staff support to the Secretary of Defense with responsibility for long-range planning which integrates net assessments, technological projections, fiscal planning, etc. This group should consist of individuals from appropriate units in the Department of Defense, consultants and contract personnel appointed from time to time by the Secretary of Defense, and should report directly to him. (page 7)

Similarly, the *Departmental Headquarters Study* recommended:

Establish a Planning Office under the Under Secretary of Defense for Policy, formally linked in liaison to the Chairman, Joint Chiefs of Staff. (page 56)

The *National Military Command Structure Study* also recommended that this responsibility be assigned to the Under Secretary of Defense for Policy but made no recommendation on organizational arrangements. (page 47)

The exact responsibilities envisioned by these three studies for these planning offices are unclear. There is likely to be substantial resistance to strategic planning performed for the most part by staff planners. Lorange and Vancil argue this case in their *Harvard Business Review* article, "How to Design a Strategic Planning System":

...Strategic planning is a line management function; a sure route to disaster is to have plans produced by staff planners and then issued to line managers. Strategic planning is essentially a people-interactive process, and the planner is only one in the cast of characters involved. If the process is to function effectively, he must clearly understand his proper role:

...the planner's role initially is that of a catalyst, encouraging line managers to adopt a strategic orientation:

...System maintenance and coordination is the planner's primary function as the planning effort matures.

Options 1B and 1C presented in Chapter 3 include the creation of an Assistant Secretary of Defense (Strategic Planning) and the elimination of the position of Under Secretary (Policy). Under Option 1A, which proposes an Under Secretary for Policy and Program Integration, and under an option that maintains the status quo with the current Under Secretary for Policy, it might be useful to establish a separate strategic planning office reporting to the under secretary. At what level this office should be organized is uncertain. In all of these options, it is intended that the strategic planning office would serve the catalyst, coordination, and systems maintenance functions. Much of the initial strategic planning work would be accomplished in the policy elements in the offices of mission-oriented assistant or under secretaries (or under the status quo, the policy-oriented assistant secretaries).

The principal purpose of the strategic planning office would be to establish and to maintain a well-designed and highly interactive strategic planning process. It may be necessary, however, to have the strategic planning office prepare the first drafts of major planning papers that would then be further developed through interaction primarily among the mission-oriented or policy-oriented assist-

ant or under secretaries, the Secretary and Deputy Secretary of Defense, the Service Secretaries and Chiefs, and the JCS Chairman.

The strategic planning office should, however, have primary responsibility for scanning the international security environment which is necessary if DoD is to adapt effectively and timely to changes. Having the Net Assessment Office, Defense Intelligence Agency, and National Security Agency report to the Assistant Secretary (Strategic Planning), as in Options 1B and 1C of Chapter 3, should facilitate the scanning role.

- Option 1F—create a Deputy Under Secretary of Defense for Strategic Planning

This option proposes that the position of Deputy Under Secretary of Defense for Strategic Planning should be established under the Under Secretary of Defense for Policy. This could be done by altering the current position of Deputy Under Secretary of Defense for Policy or by adding a new position.

- Option 1G—reestablish the Joint Strategic Survey Committee or create a Joint Military Advisory Council

It has been suggested that the Joint Strategic Survey Committee which existed in the early years of the JCS should be recreated. This committee, manned by the best young flag and general rank officers, was charged with advising the JCS on broad strategy matters.

General Edward C. Meyer, USA (Retired), has recommended the creation of a National Military Advisory Council consisting of a distinguished 4-star officer from each of the four Services. In General Meyer's view, this Council would formulate military strategy and translate policy guidance from the President and the Secretary of Defense into programming direction for the Services.

While General Meyer proposed broad responsibilities for this Council, it will be considered here in a much narrower context dealing only with the need for strengthened strategic planning in OJCS. Specifically, this option proposes the creation of a Joint Military Advisory Council which would focus on the formulation of military strategy. The proposal to create a Joint Military Advisory Council with broader responsibilities is addressed in Chapter 4.

d. make other changes to strengthen the prospects for improved strategic planning

- Option 1H—insulate strategic planners from excessive outside demands on their time

One of the major causes contributing to ineffective strategic planning is continuous outside distractions that divert attention away from planning efforts. It is not possible to completely isolate planners from outside pressures. However, senior officials must set aside and protect the time of their planning subordinates. The creation of a separate strategic planning office (Option 1E) to coordinate and maintain the system should produce additional attention to this management issue.

- Option 1I—strengthen the mission orientation of organizations that contribute to the strategic planning process

The creation of assistant or under secretaries for major mission areas as proposed in Chapter 3 is one possible solution.

- Option 1J—expand the use of net assessments, particularly by OJCS

Net assessments of the current and/or projected relative military capabilities of the United States and her allies and those of potential adversaries and their allies provide extremely useful information on anticipated changes in the strategic environment. This is a useful input before establishing objectives and formulating strategic plans. While OSD has a net assessment office whose work is of high quality, efforts should be made to more closely connect the outputs of this office with subsequent strategic planning. At present the work of this office is not circulated widely enough for its full potential to be realized in the strategic planning process.

The Organization of the Joint Chiefs of Staff has limited capability for conducting net assessments. It may be desirable to create an office in OJCS with formal responsibilities for such assessments. Alternatively, it may be more desirable to have the OSD net assessment office serve OJCS as well as OSD.

2. PROBLEM AREA #2—INSUFFICIENT RELATIONSHIP BETWEEN STRATEGIC PLANNING AND FISCAL CONSTRAINTS

Options to strengthen strategic planning presented in the preceding subsection may indirectly enhance the prospects for a stronger relationship between planning and fiscal constraints. There are, however, two specific options to correct this problem area.

- Option 2A—require that the Joint Strategic Planning Document (JSPD) reflect the most likely fiscal constraints

If strategic planning is to be more closely connected with fiscal constraints, the most promising action appears to be requiring that the principal strategy document prepared by OJCS be resource constrained. Only through such an approach can the effort of ensuring that ends and means are proportional begin. If it were determined that the benchmarks provided by the fiscally unconstrained Joint Strategic Planning Document (JSPD) continue to be useful, such information could continue to be prepared as part of Step 1 of the strategic planning process either as a separate document or as part of the Joint Long Range Strategic Appraisal. However, the JSPD would be constrained by fiscal realities.

Under this option, the JCS would set military priorities in a fiscally constrained environment. This would have the effect of making the JSPD not only the focus of joint military strategic planning, but also the basis for programming. The objective of such an approach would be to strengthen the integrated force structure analysis which should stand between the strategic planning contained in the Defense Guidance and the programming contained in the Service Program Objective Memoranda. It should be noted, however, that the JCS cannot be expected to effectively produce a resource-constrained JSPD unless the institutional weaknesses of that JCS system are overcome.

- Option 2B—alter the strategic planning process to have the JSPD submitted after and based upon the Defense Guidance

The Defense Guidance is the principal element of Step 2 of the strategic planning process in which policy and planning objectives are set and constraints are identified. Accordingly, the Defense Guidance should be promulgated prior to the formulation of strategy which seeks to fulfill these objectives within the prescribed constraints.

This option proposes that the JSPD be submitted after the Defense Guidance is issued. In addition, the JSPD would be based upon the Defense Guidance.

3. PROBLEM AREA #3—ABSENCE OF REALISTIC FISCAL GUIDANCE

Three options to lessen the problem of unrealistic fiscal guidance have been developed: (1) a more formal process for reconciliation of Executive Branch and congressional budgets; (2) earlier Cabinet-level discussions of the Federal budget and Presidential intervention; and (3) administrative changes to PPBS.

- Option 3A—require the President to submit a budget that highlights programmatic differences between Executive Branch and congressional budget projections

With the growth of congressional involvement in the budget process, the lines of constitutional responsibility for the Federal budget have been further blurred. Congressional budget resolutions provide the opportunity for the Executive Branch, as it prepares budget estimates for future years, to review congressional direction and intent. However, this opportunity goes unused when incompatible differences in national priorities continue to separate these two branches of the Federal Government. No mechanism currently exists to reconcile such differences. One suggested method would require the President to submit a budget which outlines the programmatic differences between the budget at levels projected by the Congress and the President's own budget proposal.

- Option 3B—provide for earlier Presidential review of the defense budget

The suggestion of earlier Cabinet-level budget discussion and Presidential intervention is tied directly to lessening the problem of absorbing large reductions, with significant programmatic impact, during the last stages of the budgeting phase—in fact, only a few short weeks before the President's budget is presented to the Congress. An earlier Presidential review is one way to increase the likelihood that necessary budget reductions could be absorbed in a more logical and deliberate fashion.

- Option 3C—require a mid-course correction after the First Concurrent Congressional Budget Resolution or other indications of congressional intent

Other options to establish more realistic or agreed upon budget estimates are more straightforward and administrative in nature, and the application of a basic "mid-course correction" after the Congress disposes of the budget resolution or the authorization bill is probably the most simple.

4. PROBLEM AREA #4—FAILURE TO EMPHASIZE OUTPUTS

The failure of the PPBS to emphasize the output side of the defense program is not a flaw in the process itself. In this instance, PPBS merely reflects basic organizational deficiencies in the Department of Defense. As these deficiencies and possible solutions have been identified elsewhere in this study, separate options are not presented here. It should be noted, however, that if these organizational deficiencies can be corrected or lessened, the PPBS will have the potential to place greater emphasis on mission-oriented outputs.

5. PROBLEM AREA #5—INABILITY OF THE JCS SYSTEM TO MAKE MEANINGFUL PROGRAMMATIC INPUTS

The inability of the OJCS to make meaningful programmatic inputs flows directly from the institutional deficiencies of the JCS system. Options to correct this problem are presented in detail in Chapter 4 and are not repeated here.

6. PROBLEM AREA #6—INSUFFICIENT ATTENTION IN THE PPBS TO EXECUTION OVERSIGHT AND CONTROL

Two options have been developed to lessen the problem of insufficient attention in the PPBS to execution oversight and control.

- Option 6A—expand the PPB system to include a controlling phase

At present, the Defense Systems Acquisition Review Council (DSARC) is the only forum in which OSD monitors execution. However, the DSARC focuses only on major acquisition programs through major development phases. There is no formal system for review and oversight of the execution of planning, non-major programming, and budgeting decisions.

To offset this deficiency, the PPB system should be expanded to include an explicit controlling phase, thus becoming the PPBCS. Obviously, there would be no reason in this review and oversight cycle to duplicate the work of the DSARC. Instead, the Defense Resources Board could identify critical policy, non-major program, and budget decisions that require continuing management attention to ensure appropriate and effective implementation.

- Option 6B—develop the accounting and management information systems necessary to support effective execution oversight and control

The CSIS report, *Toward a More Effective Defense*, recommends that (1) the current obligation-based accounting system should be supplemented with reporting on an accrual basis; and (2) management information systems should be improved to enable decision-makers to evaluate progress toward identified goals. (page 43)

These CSIS report proposals are explained in the following terms:

Accrual Accounting. The Department of Defense should also update and improve its accounting system to provide complete, accurate, and timely cost information to decision makers. The accounting system should record the use of resources on an ac-

crual, as well as an obligational, basis. Accounting on an accrual basis (recording resources as they are expended) is a key factor in improving the evaluation system, in that it would provide the basis for judging the impact of spending on a program in terms of its output.

Management Information Systems. Finally, the Department of Defense should adopt more comprehensive management information systems in order to assess performance in crucial areas such as equipment maintenance and combat readiness. (page 43)

7. PROBLEM AREA #7—LENGTH, COMPLEXITY, AND INSTABILITY OF THE PPBS CYCLE

Options to reduce the length or complexity of the PPBS cycle revolve around reducing the breadth and frequency of planning and guidance reviews and combining the programming and budgeting phases of the cycle. Options to reform the congressional budget process as a solution to PPBS instability are addressed in Chapter 9 of this study dealing with congressional review and oversight.

- Option 7A —redo major strategic planning documents (e.g., Defense Guidance) less frequently to provide more time for thinking and to require less time for the process

While it is important that strategic planning be current enough to reflect the dynamic international environment, it is not difficult to argue that the fundamental security threats to the United States and her overseas interests are well understood and, while evolving, are generally stable over time. Accordingly, planning and policy objectives, once established by a new Administration, need not be reconsidered each year. DoD is already moving in this direction. In testimony before the Senate Committee on Armed Services on November 10, 1983, Dr. David S. Chu, Director of Program Analysis and Evaluation, stated:

...we recently decided not to rewrite the Defense Guidance "from scratch" every year. U.S. national security objectives do not change radically from year to year, and a major annual rewrite tended only to reopen issues that had already been settled, while neglecting those questions that truly merited attention. (Part 9, page 398)

Moreover, on April 23, 1985, the Department of Defense announced a biennial planning cycle. The press release stated:

...the shift from an annual to a biennial planning cycle is expected to result in a more efficient and coherent process, saving considerable manpower and resources, as well as meshing with the proposed two-year defense budget currently being considered by some members of Congress. (DoD Press Release, "Biennial Defense Planning Cycle Announced by Deputy Secretary Taft", April 23, 1985)

This option proposes that certain strategic planning documents be prepared less frequently than the 2-year cycle recently adopted by DoD. The *Defense Resource Management Study* supports this approach:

The "busy-ness" of the current process is heightened by an inexplicable feature of the system that insists on total review each year, from guidance through implementing programs. Most policy and planning guidance from OSD can truly be only incremental (not cut from whole cloth each year)...Hence, amendments to a standing document, conveniently linked to significant external benchmarks, seem at least as adequate as the current single guidance document (Consolidated Guidance). (page 10)

- Option 7B —merge the programming and budgeting phases or reduce the time devoted to them

The *Department Headquarters Study* recommended significantly reducing the budget review process by "limiting budget review to pricing refinements and the program implications that result from pricing changes and 'fact-of-life' changes." (page 60) The objective of this recommendation by the *Departmental Headquarters Study* was to avoid the disadvantages of following the programming cycle with an extended budget review that re-examines many of the program decisions. The principal disadvantages were identified as (1) the unbalancing of the overall program through budget changes; and (2) the consumption of scarce staff resources in the re-examining of program issues. It is this latter disadvantage that is of concern here.

Another possibility which is often proposed is the merging of the programming and budgeting cycles. This possibility has been suggested in the context of both shortening the PPBS cycle and eliminating duplication of OSD review.

One of the two major, PPBS-related recommendations of the *Defense Resource Management Study* was to "combine the traditionally sequential program and budget reviews into a single annual review." (page viii) This study also recommended the establishment of the Defense Resources Board (DRB) to manage the combined program-budget review. In the current PPBS cycle, the program review begins in June and ends in late August while the budget review is conducted from September through December. The combined program-budget review, as proposed by the *Defense Resource Management Study*, would extend from late August to December.

The *Defense Resource Management Study* describes the combined program-budget review as follows:

These proposals contemplate programmers and budgeteers acting in a coordinated fashion on the unified program/budget submitted in August...While important mechanical adjustments will have to be worked out in detail, *especially those linkages that permit rapid translation between programs and appropriations*, the general description is clear: a comprehensive review that retains mission and programmatic oversight while continuing in parallel the honest-broker aspects inherent in the review for pricing, scheduling, consistency, legality, executability, and other aspects of financial saleability, through to final decision by the President. (pages 16-17)

The Georgetown Center for Strategic and International Studies report, *Toward a More Effective Defense*, also recommended a combined program-budget review:

The programming and budgeting phases of PPBS should be merged into a single process that retains a program and mission orientation, but simultaneously establishes relevant budget inputs. (page 40)

G. EVALUATION OF ALTERNATIVE SOLUTIONS

This section evaluates the specific options for improving the PPB system that were set forth in Section F. 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 INEFFECTIVE STRATEGIC PLANNING

- Option 1A—diminish OSD's focus on resource programs by lessening the role of OSD resource managers

Among the options presented in Chapter 3 for correcting OSD problem areas, there are two sets of options that would indirectly result in a diminished OSD focus on resources. The three options (Options 1A, 1B, and 1C) that propose creation of mission-oriented offices and the two options (Options 2A and 2B) that would streamline OSD would produce a less resource-oriented focus. Given that OSD has failed to fulfill its responsibilities in many important areas—like strategic planning—and that it engages in some degree of micro-management of Service resource programs, there appear to be no disadvantages to this option.

Using the Armed Forces Policy Council or an executive committee of the Defense Resources Board (DRB) to make strategic planning decisions seems to have merit. Using the full DRB to formulate plans and policy results in too much emphasis on programming and budgeting considerations. The DRB was not intended to be a strategic planning forum. The *Defense Resource Management Study*, which recommended establishment of the DRB, proposed only that it review program and budget issues.

The Armed Forces Policy Council includes the principal officials of DoD from whose interaction major strategic planning decisions should emerge. This council is the most appropriate DoD forum for making strategic planning decisions. If three mission-oriented under secretaries and an Under Secretary (Readiness, Sustainability, and Support) were established, they should be included on the Armed Forces Policy Council (as is currently required by section 171(a) of title 10, United States Code). Even if these four under secretaries were added, the Armed Forces Policy Council would continue to have a strong Service orientation and limited joint military representation. Seven council members—the Service Secretar-

ies and Chiefs—would provide the Service perspective, but only the JCS Chairman would provide the joint military view.

It might be preferable to establish an executive committee of the DRB to make strategic planning decisions. The composition of this executive committee could be the following 12 officials:

- Deputy Secretary of Defense —Chairman
- Under Secretary of Defense (Nuclear Deterrence)
- Under Secretary of Defense (NATO Defense)
- Under Secretary of Defense (Regional Defense and Force Projection)
- Secretary of the Army
- Secretary of the Navy
- Secretary of the Air Force
- Chairman and Members, Joint Military Advisory Council
- Assistant Secretary of Defense (Strategic Planning)

This committee would have a substantial mission orientation, balanced between civilian and military perspectives. In addition, it would provide a balance between single Service and joint military views. On the whole, an executive committee of the DRB—organized roughly along the above lines—appears to be a more appropriate forum for strategic planning decisions than the Armed Forces Policy Council.

- Option 1B—lessen congressional interest in program details and increase congressional interest in major planning and policy issues

Evaluation of this option is presented in the chapter of this study dealing with congressional review and oversight.

- Option 1C—appoint senior OSD officials with strong strategic planning interests and skills

There are really no disadvantages to this option, for it clearly would be desirable to appoint OSD officials with the highest possible level of strategic planning abilities. There is, however, little that can be done about this by direct legislation. Other points of evaluation are the same as for Option 3A of Chapter 3 which would require that OSD political appointees have strong defense management credentials.

- Option 1D—reorient war colleges and military academies to strengthen the study of strategy and military history

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

- Option 1E—create an OSD strategic planning office

If this option were implemented in conjunction with either Option 1B (mission-oriented under secretaries) or Option 1C (mission-function matrix) presented in Chapter 3, the position of Under Secretary of Defense for Policy would be abolished, and the position of Assistant Secretary of Defense (Strategic Planning) would be created and would report directly to the Secretary of Defense. If the current Under Secretary (Policy) were retained or the position of Under Secretary (Policy and Program Integration) were created,

this separate strategic planning office would report to either official.

Much like the Policy Planning Staff in the Department of State, any such office in OSD, to be entitled Office of the Assistant Secretary (Strategic Planning), would likely be effective only to the degree that the Secretary of Defense had great confidence in the official who headed it and paid close attention to the output and the management agenda of the office. The general belief in the Department of State has been that the Policy Planning Staff has had little real influence under most Secretaries of State; the exact reasons for this lack of influence are not clear. An OSD strategic planning office would clearly have the potential to improve planning and to help shape more coherent policies, but its potential might rarely or never be realized.

It appears that the role of this office must be clearly established and understood if it is to enhance the quality of OSD strategic planning. The planning office should not do strategic planning by itself. If it attempted to do so, its contributions would be minimal. Instead, it should assume responsibility for designing and maintaining an effective strategic planning process. It should serve as a catalyst to activate appropriate organizations in OSD, the Services, and OJCS to have them systematically and comprehensively address and interact on fundamental planning and policy issues. The focus of this office should be on the process and not on plans or policy.

Divorced from the day-to-day responsibilities that currently dominate the Office of the Under Secretary of Defense for Policy, a separate planning staff should be able to strengthen the strategic planning process. Furthermore, because this office would have major responsibilities for ensuring interaction between line management organizations, it would be useful to create it as a separate staff organization without quasi-line management responsibilities as is the case with the current Office of the Under Secretary for Policy.

One could question the need for an assistant secretary position, as in Options 1B and 1C of Chapter 3, to fulfill these planning process responsibilities. This question can be put aside by the recognition of the importance and current weaknesses of strategic planning in an organization as complex as DoD.

- Option 1F—create a Deputy Under Secretary of Defense for Strategic Planning

The addition of a Deputy Under Secretary for Strategic Planning might strengthen the hand of the Under Secretary for Policy, enabling him to more effectively carry out his mandate. On the other hand, a Deputy Under Secretary ultimately could have no more effect on the policy planning process than is commensurate with the Under Secretary's own level of effectiveness, authority, and access to the Secretary of Defense. In instances where the Under Secretary is a strong individual with considerable influence with the Secretary of Defense, the addition of a Deputy Under Secretary might indeed have a positive effect on strategic planning; in instances where the Under Secretary for Policy himself does not

wield a great deal of influence, the Deputy Under Secretary would be but another body and desk added to the process.

- Option 1G—reestablish the Joint Strategic Survey Committee or create a Joint Military Advisory Council

While this committee or council could improve strategic planning in OJCS, it would not appear to solve planning weaknesses in OSD. Without an improved OSD planning process, the full benefits of strengthened OJCS inputs may not be realized.

This does raise the issue of which and how many DoD organizations should have strategic planning as one of its principal responsibilities. Apparently, the view that only the OJCS should have this responsibility has been widely held. Hammond in *Organizing for Defense* argues that when a proposal has been put forth to improve OSD's capabilities to formulate general policies, "it has been rejected because it challenged the prerogatives of the Joint Chiefs of Staff as the determiners of the military ends for which the military establishment exists." (page 315)

The failure of the Joint Chiefs of Staff to conduct effective strategic planning is widely recognized. As a result of this deficiency, strategic planning in DoD is dominated (although poorly performed) by civilian agencies. As Samuel P. Huntington has noted:

In many countries strategic planning is effectively dominated, if not totally monopolized, by the military acting through a central military staff. What is often lacking is an effective civilian counterweight to the strategic advice the military provides the government. In the United States, the situation is almost the reverse. Over the course of several decades, civilian agencies and groups have moved to shape strategy. ("Defense Organization and Military Strategy", page 26)

The loss of influence and a meaningful role for the Joint Chiefs of Staff in strategic planning is the result of the institutional deficiencies of the JCS system.

Efforts to strengthen strategic planning should not focus exclusively on OSD or OJCS. Both have an important role to play in their areas of expertise. Moreover, these two organizations should serve as a counterbalance to the strategic advice of the other. In essence, there is a need for civilian-military collaboration in strategic planning. As General Meyer has said, effective military planning requires "much greater interplay between the joint military and civilian leadership." ("The JCS—How Much Reform is Needed?", *Armed Forces Journal International* 119 (April 1982), page 86)

For these reasons, evaluation of options to strengthen the strategic planning capabilities of the JCS system will be presented in the chapter dealing with the Organization of the Joint Chiefs of Staff.

- Option 1H—insulate strategic planners from excessive outside demands on their time

Although this is clearly a desirable option, it is not at all clear how it could be achieved except by having senior officials set aside and protect the time of their strategic planning subordinates. The

creation of a separate strategic planning staff (Option 1E) may help.

- Option 1I—strengthen the mission orientation of organizations that contribute to the strategic planning process

The most important part of strategic planning is the formulation of an integrated plan of action to achieve the central strategic goals of DoD. In the absence of organizations focused specifically on these strategic goals, effective planning would be more difficult. It is the effective process of interaction of important points of view—functional, mission-oriented, Service —that creates high quality strategic planning. One could argue that the current Offices of International Security Policy and International Security Affairs do focus on these strategic goals. On the other hand, it can be asserted that the focus of these offices is too narrow because it does not have the breadth of a multi-functional, mission orientation. What is missing from the current process is the mission point of view which also includes a multi-functional perspective.

- Option 1J—expand the use of net assessments, particularly by OJCS

Better net assessments would clearly be of use to strategic planning decision-makers; the real problem is in assuring that the best and most objective analyses reach them and that they are able to apply the conclusions in actual decisions. That may be less a matter of organization, than of people. Strengthening the net assessment capabilities of OJCS would have to be designed to improve the overall work of the Joint Staff and ought not to be conceived as an alternative source of net assessment to that now performed by the Office of Net Assessment in OSD. There is no reason for this particular function to be needlessly duplicated in various offices.

2. OPTIONS FOR DEALING WITH THE PROBLEM OF AN INSUFFICIENT RELATIONSHIP BETWEEN STRATEGIC PLANNING AND FISCAL CONSTRAINTS

- Option 2A—require that the Joint Strategic Planning Document (JSPD) reflect the most likely fiscal constraints

Weaknesses in strategic planning were identified as being reflected in the PPB system, not caused by it. Therefore, while it is possible that the quality of PPBS products could be improved as the result of organizational changes within OJCS or OSD, such changes should not be recommended exclusively for the benefit of PPBS. The PPBS is a process designed to support DoD's organization, not the reverse.

PPBS and other management support processes, however, should be expected to respond to the needs of the organization. Weaknesses in strategic planning may indeed require structural changes in the DoD organization, but the primary relationship of this problem to PPBS lies in the absence of any meaningful connection between fiscally unconstrained planning and resource-constrained programming and budgeting. JCS planning documents will not be taken seriously in the PPBS process until they are resource-constrained.

Administrative changes designed to achieve a more useful relationship between planning and the later phases of PPBS appear appropriate. To this end, requiring the JSPD or its major portions to be fiscally constrained appears to be desirable.

A resource-constrained JSPD would also provide a better strategy document to be used in evaluating the Service POM submissions. OSD and OJCS would be able to analyze the extent to which Service programming is consistent with the strategy. In particular, this would greatly enhance the role that the Strategic Plans and Resource Analysis Agency in OJCS could play in the program review process.

The most negative aspect of this option is that it will force the JCS to establish priorities among the competing strategic interests of the Services. Formulating a resource-constrained strategy will involve difficult choices. It is not clear that the current JCS system with its institutional deficiencies is capable of meeting this challenge.

Another disadvantage of this option appears to be the possibility of a loss of objective and comprehensive assessments of U.S. defense needs, the full identification of which might not be possible if such assessments were totally constrained by fiscal realities. This possible disadvantage could be eliminated by continuing to prepare such assessments early in the planning process but to clearly separate them from the Joint Strategic Planning Document.

- Option 2B—alter the strategic planning process to have the JSPD submitted after and based upon the Defense Guidance

This option appears to be highly desirable. At present, DoD does not have a true strategy document in the resource allocation process. JSPD is not a strategy document, because it fails to make ends and anticipated means proportional.

Having the JSPD submitted after the Defense Guidance would place the strategy document in its logical position in the resource allocation process. By preceding the Defense Guidance, as the JSPD currently does, it formulates strategy before either the desired ends or anticipated means are specified.

Even if the JSPD followed the Defense Guidance and were required to be based upon it, problems with strategy formulation may continue. Most likely in this regard would be the setting of objectives (ends) in the Defense Guidance which are not proportional to projected force capabilities (means). This would be a perpetuation of the "objectives-force mismatch" discussed in Section E. However, requiring the JSPD to be resource-constrained may highlight this mismatch and lead to the setting of realistic objectives in subsequent versions of the Defense Guidance.

3. OPTIONS FOR DEALING WITH THE PROBLEM OF AN ABSENCE OF REALISTIC FISCAL GUIDANCE

As noted earlier, the absence of realistic fiscal guidance antedates the more recent disagreements between the Congress and the Executive Branch over the size of the defense budget. While fiscal guidance has long been a part of internal DoD documents which provide the foundation of annual PPBS cycles, DoD has frequently

failed to establish topline projections that have been sustained through the budgetary process.

- Option 3A—require the President to submit a budget that highlights programmatic differences between Executive Branch and congressional budget projections

Because this issue is more a problem of management than structure or procedure, it follows that the potential solution should be administrative in nature. However, because of the emerging disagreements between Executive Branch and congressional budget priorities, it is not unreasonable to assume that a larger issue is at stake. Creating a formal process for budget reconciliation between Congress and the Executive Branch is an administrative response to a political and policy question. It deserves further study in a broader Separation of Powers context, but is probably not an appropriate solution in the narrow context of problems associated with PPBS.

- Option 3B—provide for earlier Presidential review of the defense budget

Earlier Presidential involvement in the PPBS cycle (perhaps in October rather than in December) could be expected to bring more realistic expectations (as the President himself defines “realistic”) to bear sometime before the last days of the budgeting phase. If the President chooses to scale down DoD budget estimates, there should be more time than currently available for careful deliberation; if he endorses DoD’s budget estimates, then the process can proceed more normally with fewer “excursions” and greater confidence in the process. Even so, differences between the Congress and the Executive Branch about what constitutes a “realistic” budget estimate may remain.

- Option 3C—require a mid-course correction after the First Concurrent Congressional Budget Resolution or other indications of congressional interest

Current efforts to interpret congressional intent through budget resolutions and authorization and appropriation bills and to apply such projections to outyear budget estimates have been frustrated by congressional inconsistency. Even so, PPBS is the proper forum for topline budget adjustments, and programming problems will increase if the PPBS process is too insulated from broad budget trends. The application of a mid-course correction in the Executive Branch remains an important tool available to DoD leadership that could be used more aggressively to refine outyear budget projections.

4. OPTIONS FOR DEALING WITH THE PROBLEM OF THE FAILURE TO EMPHASIZE OUTPUTS

Options to solve this problem area are presented and evaluated in other chapters of this study.

5. **OPTIONS FOR DEALING WITH THE PROBLEM OF THE INABILITY OF THE JCS SYSTEM TO MAKE MEANINGFUL PROGRAMMATIC INPUTS**

Options to solve this problem area are evaluated in Chapter 4 dealing with the Organization of the Joint Chiefs of Staff.

6. **OPTIONS FOR DEALING WITH THE PROBLEM OF INSUFFICIENT ATTENTION IN PPBS TO EXECUTION OVERSIGHT AND CONTROL**

- Option 6A—expand the PPB system to include a controlling phase

To the extent that the PPB system has not been fully developed as a management control system, changes to expand the system should be made. In an organization as large and complex as the Department of Defense, mechanisms to improve management control are important and should be emphasized.

There is, at least, some recognition that the budgeting phase should include execution oversight and control. This appreciation, however, is not sufficiently widespread. Moreover, the level of necessary attention to the control function is absent. It appears that it is necessary to establish a distinct phase of PPBS to ensure sufficient execution oversight and control.

On the negative side, the PPBS cycle is already too long and complex. In addition, certain aspects of the current system, especially strategic planning, receive inadequate attention. Adding another phase to the system could exacerbate these problems. In addition, a controlling phase would require additional reporting and auditing efforts. However, it does not appear logical to conduct a structured, 15-month resource allocation process and then place limited attention on what actually happens.

- Option 6B—develop the accounting and management systems necessary to support effective execution oversight and control

The current accounting and management information systems of the Department of Defense consume substantial resources, especially manpower, to maintain. There will be great resistance in DoD to increasing the burdens of accounting and information systems to support management control.

There appears, however, to be no alternative to this option. Accounting and information systems must be capable of providing decision-makers information that is critical to the allocation and control of resources.

7. **OPTIONS FOR DEALING WITH THE PROBLEM OF THE LENGTH, COMPLEXITY, AND INSTABILITY OF THE PPBS CYCLE**

Two options to correct this problem area have been developed.

- Option 7A—redo major strategic planning documents (e.g., Defense Guidance) less frequently to provide more time for thinking and to require less time for the process

There is no doubt that a great deal of time and energy is spent in the Pentagon—and probably thousands of manhours expended—on paperwork which is little read and which must be rewritten frequently. It clearly appears that some aspects of strategic planning

are repeated with few changes from year to year. The objective of increasing staff and management assets available for other PPBS tasks through a reduction in repetitive, strategic planning requirements has merit.

It would be desirable to initiate a major and comprehensive strategic planning effort as soon as possible after the start of a new presidential term. This effort should receive the highest possible priority within DoD for its results will give overall direction to the Department's policies for several years.

In subsequent years, an extensive strategic planning effort may not be necessary, but one that focused on new problem areas (or resolution of old ones) might be more appropriate. This more narrow review would demand less time from senior policymakers and would free strategic planners from a time-consuming process to do more in-depth analyses of difficult planning issues and problems.

Careful and detailed study seems called for to determine which documents could be rewritten and updated less frequently than currently required, and which, indeed, need frequent updating. This study will not attempt to go into this matter in detail. It does appear to be a promising area for additional streamlining of the planning process.

On the other hand, certain documents which may seem to be of relatively minor importance in any immediate PPBS cycle—such as the Joint Strategic Planning Document (JSPD)—may, nevertheless, be of considerable importance in helping decision-makers to establish long-term priorities and conduct meaningful planning. Also, the preparation of such documents is an exercise which may be of significant value to those who engage in it, even if the immediate effect on planning and policy is slight. What is important is that a process emerges through which high quality first drafts of planning papers are prepared and through which the Services and mission-oriented integrators later interact to produce coherent strategy, policies, and resource allocations using these papers as vehicles.

On the whole, the 2-year planning cycle recently adopted by DoD will substantially stabilize the planning process and increase staff and management assets available for other PPBS tasks. It may be preferable to gain actual experience with this 2-year cycle before proposing additional streamlining of the planning process.

- Option 7B—merge the programming and budgeting phases or reduce the time devoted to them

Many Service officials have expressed frustration over the "double jeopardy" of two separate reviews (program and budget) at the OSD level. This narrow institutional perspective is buttressed by the actual practice of reductions so large during the budgeting phase that they are tantamount to major program decisions. If more realistic budget constraints were applied earlier in the cycle, there would be less justification for program reviews being made during the budgeting phase of PPBS.

OSD officials expressed the view that, because there is such a distinct difference between the two phases, their combination would produce no net savings of time in the cycle. Jack Quetsch,

Principal Deputy Assistant Secretary of Defense (Comptroller), presented this view in testimony before the Senate Committee on Armed Services:

There is a reason why these phases are separate. We can't simply look at them as separate and assume they are duplicative. In the programming phase, we are testing the candidate programs submitted by the military departments against the guidance that has been developed and against the objectives of the Department.

In the budget phase, we are testing against a wholly different set of criteria. The programs that survive that first test we then test in terms of do-ability, time phasing, pricing, and all the things that matter in putting together a good defensible and doable budget.

Even if we were to combine these two phases, we could not shorten either one of them. All you would do is get a budget submission earlier in order to give us time to do both a program and a budget review. You could not put together a good business-type budget until after you put together the program, so there would be two phases anyhow in which you would have later and less useful input from the military departments. (Part 9, page 400)

Similarly, Dr. Chu, the Director of Program Analysis and Evaluation, testified:

I am not sure that trying to consolidate those phases will, in the end, save much time. In fact, it might contribute to worse decisionmaking because you need to articulate your broad objectives before you can set down the details of a program. (Part 9, pages 400-401)

Even so, the arguments are divisible. Combining the programming and budgeting phases could be justified on its own merit without necessarily reducing the time or administrative burden involved. However, no judgment on this option was considered necessary in the context of this study.

H. CONCLUSIONS AND RECOMMENDATIONS

This section presents the conclusions and recommendations of this chapter concerning the Planning, Programming, and Budgeting System. The conclusions result from the analyses presented in Section E (Problem Areas and Causes). The recommendations are based upon Section G (Evaluation of Alternative Solutions). Excluded from this list are recommendations that are more appropriately presented in other chapters.

Conclusions

1. The PPB system is capable of responding to changes in policy and management style and generally supporting the management needs of DoD leadership.

Recommendations

Conclusions

2. The PPB system has no deficiencies so severe that it should be considered the primary reason for changing the fundamental organizational relationships in DoD.
3. DoD resource allocation is currently hampered by ineffective strategic planning; accordingly, the strategic planning process in DoD should be strengthened.
4. Both OSD and OJCS have important roles to play in DoD strategic planning; accordingly, efforts should be made to strengthen the strategic planning capabilities of both organizations.
5. There is an insufficient relationship between strategic planning and fiscal constraints.

Recommendations

- 4A. Diminish OSD's predominant focus on resource decisions.
- 4B. Form an executive committee of the Defense Resources Board to serve as the primary decision-making forum for strategic planning.
- 4C. Appoint senior OSD officials with strong strategic planning skills and interests.
- 4D. Create the position of the Assistant Secretary of Defense (Strategic Planning) who would be responsible for establishing and maintaining a well-designed and highly interactive strategic planning process.
- 4E. Insulate strategic planners from excessive outside demands on their time.
- 4F. Strengthen the mission orientation of organizations that contribute to strategic planning by creating mission-oriented offices.
- 4G. Expand the use of net assessments, particularly by OJCS.
- 5A. Require that the Joint Strategic Planning Document (JSPD) reflect the most likely fiscal constraints.

Conclusions

6. The absence of realistic fiscal guidance results in a loss of much of the value of the PPBS product and undermines confidence in DoD's resource allocation process.
7. The PPB system fails to emphasize the output side of the defense program.
8. The JCS system is unable to make meaningful programmatic inputs.
9. The PPB system gives insufficient attention to execution oversight and control.
10. The PPBS cycle is too long, complex, and unstable.

Recommendations

- 5B. Alter the strategic planning process to have the JSPD submitted after and based upon the Defense Guidance.
- 6A. Provide for earlier Presidential review of the defense budget.
- 6B. Require a mid-course correction by DoD after clear indications of congressional intent on the top-line of the defense budget.
- 9A. Expand the PPB system to include a controlling phase.
- 9B. Develop the accounting and management information systems necessary to support effective execution oversight and control.
- 10A. Recommend to the Secretary of Defense that he consider the following options:
 - Redo major strategic planning documents less frequently; and
 - Merge the programming and budgeting phases.