

# Congress Should Not Terminate the Pentagon's Chief Management Officer...Yet

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## KEY TAKEAWAYS

Congress created the Chief Management Officer position in the 2017 NDAA. Now, in less than three years, it proposes eliminating it.

This is a premature decision based on limited data: Not enough time has passed to evaluate the effectiveness of the office's leadership.

Instead, Congress should ensure the office has sufficient time to implement reforms before instituting new ones and help clarify roles and responsibilities.

In the National Defense Authorization Act (NDAA) for Fiscal Year 2017, Congress elevated the Department of Defense's (DOD's) Deputy Chief Management Officer position to Chief Management Officer (CMO), effective on February 1, 2018.<sup>1</sup> Now, less than two and one-half years later, both Senate and the House versions of the NDAA propose to terminate the position.<sup>2</sup> This is a premature decision based on a thin amount of data.

The incumbent in the position, Lisa Hershman, was only confirmed on December 19, 2019.<sup>3</sup> The short tenure is especially relevant in evaluating a position that, according to the Government Accountability Office (GAO), still needs to be institutionalized.<sup>4</sup> Not enough time has passed to evaluate the efficiency of the office or the individual—the measures utilized by the Defense Business Board (DBB)—especially when it is responsible for implementing change in a bureaucracy the size of the DOD.

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This paper, in its entirety, can be found at <http://report.heritage.org/ib5092>

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## Background

The DOD has an annual operating budget around \$700 billion and over 2 million employees.<sup>5</sup> Its budget is bigger than the gross domestic product of Switzerland,<sup>6</sup> with the population equivalent of the State of New Mexico.<sup>7</sup> It also controls a land area of 27.2 million acres, roughly equivalent to the Commonwealth of Virginia.<sup>8</sup> The scope of land, people, and resources are part of the reason why former Pentagon Deputy Chief Management Officer Peter Levine argues that the DOD is more analogous to an economy than to a private-sector company.<sup>9</sup>

It is an economy characterized by multiple cultures and, like any other bureaucracy, resistance to change. This is partially why the National Defense Strategy identified “reforming the department for greater performance and accountability” as one its three pillars.<sup>10</sup> It elevated the importance of reform for performance and accountability to a level on par with increasing the armed forces’ lethality and engagement with allies. This importance should be reflected in the institutional organization of the Department of Defense.

## The Current State of the Office of the Chief Management Officer

The Government Accountability Office highlighted the importance of having a CMO position within the Department of Defense as far back as 2005. It stated:

GAO believes that DOD needs a full-time chief management officer (CMO) position, created through legislation, with responsibility and authority for DOD’s overall business transformation efforts. This is a “good government” matter that should be addressed in a professional and nonpartisan manner. The CMO must be a person with significant authority and experience who would report directly to the Secretary of Defense. Given the nature and complexity of the overall business transformation effort, and the need for sustained attention over a significant period of time, this position should be a term appointment (e.g., 7 years) and the person should be subject to a performance contract.<sup>11</sup>

There are three very important points found within the GAO’s recommendations for the CMO position: significant authority and experience, sustained attention over a significant period of time, and business-transformation focus. These elements mutually support each other to create an effective organization and leader.

But not all the necessary ingredients are in place today.

**Authority and Experience.** The incumbent CMO has significant private-sector business experience, and her Senate confirmation conveys hefty internal authority.<sup>12</sup> However, the necessity for private-sector experience means that any new CMO will necessarily have a substantial learning curve in navigating the DOD bureaucracy and its unique parlance. The CMO cannot be expected to institute fundamental change in an established bureaucracy within one budget cycle.

**Sustained Attention.** The priority placed on longevity is one that is especially relevant for the current debate. The GAO recommended that the CMO position be held by one individual through long tenures of five to seven years.<sup>13</sup> This length of tenure would allow him or her to have multiple budget cycles to implement business transformations. Consistency would also allow for different learning opportunities and adjustments. The failure in one budget cycle can be used as a learning opportunity for the next. Further, a long tenure would bridge presidential terms, potentially removing a good portion of the politics involved in usual presidential appointees. It could also serve to emphasize the technical competence of the officeholder rather than alignment with a particular political party.

**Business Transformation.** When it comes to the focus on business transformation, the Defense Business Board's (DBB's) evaluation of the position accurately points out that the CMO lags behind.<sup>14</sup> Their recommendations are based on interviews about previous effectiveness of the officer and the organization, while the Office of the Chief Management Officer (OCMO) was undergoing substantial changes in personnel and authority that would predictably hamper the effectiveness of the organization.

There are currently two major functions within the purview of the CMO: business transformation and management of the business functions outside the military services, commonly known as the fourth estate. This is area that Congress should devote time to investigating. The DBB clearly states that it “does not believe the CMO can review and oversee the Fourth Estate and simultaneously jumpstart and drive business transformation successfully across the department.”<sup>15</sup> Both tasks are indeed very broad and substantial, requiring consistent and considerable attention, especially because the fourth estate is composed of 28 separate organizations in different business lines.<sup>16</sup> It is reasonable that no one organization could be expected to accomplish both tasks.

## Recommendations

The Chief Management Officer and his or her office have been experiencing the growing pains necessary to establish a new institution within the Department of Defense, including the resignation of the first CMO after months of speculation about his dismissal.<sup>17</sup> To institutionalize the responsibilities of the CMO would require time and clarity in authority and leadership trust, especially when it needs to change budgetary authority and establish new processes.

To get the most value from this position:

- **The Secretary of Defense's office needs to be actively involved in the process of defining the CMO's role.** There is no public indication that the Secretary of Defense and his office have engaged in the debate on the position of Chief Management Officer. The fundamental question is if this organization best serves the needs of the Pentagon by being the central advocate for business transformation and reform or by supervising the business operations of the Fourth Estate. The voice and opinion of the individual that oversees the CMO should carry substantial weight in evaluating the challenges and opportunities of the office.
- **Congress should ensure the Pentagon has sufficient time to implement reforms before instituting new ones.** Congress recently has focused on reforming different parts of the Pentagon to make it more effective and efficient. This is a very noble and important task. However, the department has not necessarily been able to implement all the changes from the recent NDAA's. This phenomenon is highlighted by the Congressional Research Service in acquisition, which points out that "[f]or FY2016–FY2018, NDAA titles specifically related to acquisition reform contained an average of 82 provisions (247 in total), compared to an average of 47 such provisions (466 in total) in the NDAA's for the preceding 10 fiscal years."<sup>18</sup>

It takes time for bureaucracy to implement changes and institutionalize them.<sup>19</sup> Further, it is impossible to know if the reform had its intended effect if it did not have enough time to be implemented. This is analogous to a doctor prescribing new medicine without evaluating how the last drugs performed. In the push to change how the Pentagon works, Congress needs to avoid reforming a reform that had not ended.

This is the case of the Office of the Chief Management Officer. It was created by Congress in fiscal year 2017 and, now in fiscal year 2021, Congress wants to abolish it. The office and the Officer are still in the midst of learning and implementing its current authorities, the period when every institution and individual is less effective. Four fiscal years can seem like an eternity, but for a bureaucracy with the size and scope of the Pentagon, it is the blink of an eye.

- **Congress and the DOD need to clarify roles and responsibilities in any iteration of the CMO.** As correctly identified by the GAO, the CMO suffers from lack of clarity of roles and responsibilities.<sup>20</sup> There are multiple documents that outline different tasks and different responsibilities for the Officer,<sup>21</sup> but there is no unified charter that clearly outlines for the department the guidance of the office. This hampers the effectiveness of the office, especially considering that the office will be requesting other parts of the department to change how they operate.
- **The DOD should separate business transformation from fourth-estate management.** Business transformation is an effort that needs to encompass every organization within the Department of Defense, including the practices of the military departments. The focus on the fourth estate is too narrow for the main task of business transformation. The management of the fourth estate could still reside within the OCMO, but it should not be the main task of the CMO.

## Conclusion

All in all, the current institutional setup for the Chief Management Officer at the Pentagon is not without its shortcomings. However, terminating the office within a few years of its establishment would serve to set back the efforts of business transformation inside the department. It would also signal that it is possible to wait out the current wave of reform and simply continue with the status quo. It takes time to change the Pentagon. The current National Defense Strategy was introduced in January 2018, and the introduction of the fiscal year 2021 budget request discussed getting to the irreversible implementation of the Strategy.<sup>22</sup> It is a process that is measured in years and budget cycles, not weeks.

The Pentagon needs clarity of roles and accountability, as well as stability, in order to implement business transformation. Since February 2018,

the Pentagon has had the high-level authority in place for business transformation; however, there is still work to be done in clarifying roles and responsibilities.<sup>23</sup> But Congress' current push to terminate the position would send the department back to square one in business transformation—without clear responsibility or officer for the necessary tasks of improving the management of the Pentagon.

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## Endnotes

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