

December 2017

Bad Idea: Easy Savings from DoD Management Reform

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In December 2016, the [Washington Post ran an article claiming that an internal DOD study had identified \\$125 billion of management savings](#), but that the DOD leadership refused to take action. That same month former Speaker of the House Newt Gingrich said he wanted to turn the Pentagon “into a triangle” by cutting waste. Both proposals received applause from audiences skeptical about defense spending and government management. The two proposals shared something else: they had no specifics. And that’s the problem. Many critics clamor for management reform and expect large savings but recoil when faced with specific recommendations. It’s much easier to stick with vague process recommendations (“scrub every line of the budget”) and inoffensive concepts (“eliminate duplicative programs”) than to wade into the inevitable controversies involved with identifying specific activities to be reduced or eliminated.

[The DOD study was conducted by the McKinsey Group](#), a business strategy consulting company, for the Defense Business Board. The report recommended that “committed” DOD leaders develop cross-functional teams to examine performance benchmarks to optimize contracts and increase workforce productivity. Based on the work they had done for their civilian clients, [the consultants hypothesized that certain percentages of DOD overhead activities could be eliminated](#) and came up with \$25 billion per year (\$125 billion over five years).

The Gingrich proposal came from [a speech he gave at National Defense University](#), in which he declared, “At least 40 percent of the current bureaucracy has to be superfluous. Literally.” The attitude was fine. Management reform and achievement of real savings need an aggressive push from the top. But what was the example he used to illustrate DOD waste? The horse cavalry of the 1930s. Despite the claim of massive inefficiencies in DOD today, he was unable to identify anything more recent than 1938.

Two examples of specific cuts show why critics stick with recommendations that are vague, inoffensive, and hortatory. The first is base closures (called “base realignment and closure” or “BRAC”). [DOD’s analysis shows 19-22% excess capacity](#) (depending on assumptions about force levels), almost [the entire national security expert community](#) recommends BRAC, and the military supports it. The Obama administration proposed it five years running, and it should have been a slam dunk. But Congress denied it every year amid concerns about future force growth, cost overruns in the 2005 BRAC round, the desire to cut overseas bases first, and, inevitably, parochial concerns about local economies. The Trump administration proposed it again this year, and Congress again denied it. And that’s the easy cut. It gets harder from there.

For example, one could look at the Pentagon itself. Twenty-six thousand people work there; surely some of them are unnecessary. Indeed, one bold recommendation that is been floating around for years is to eliminate the service secretariats, that is, the secretaries of the Army, Navy, and Air Force, and their associated staffs. The number of personnel isn’t large, [3600 or so](#), but these are very senior and expensive positions. The argument for eliminating them is that these organizations are relics of the era before there was a Department of Defense. Then, they were the only civilian organizations overseeing the military services and had a vital function. That changed when the Department of Defense was created in 1948 and then expanded over the years. Now there is a secretary of defense, a deputy secretary of defense, seven under secretaries of defense, and innumerable assistant secretaries of defense, all of whom oversee military forces, programs, and budgets, just as the service secretaries do. The service secretariats look like vestigial organizations whose purpose has become obsolete. However, supporters point out that they still provide an important element of civilian oversight, especially at a time when military authority seems ascendant. Further, service chiefs say that having a political appointee is helpful when partisan political issues arise with the White House and Congress that a military officer does not feel comfortable getting involved with.

So is management reform impossible, and are savings unachievable? Absolutely not. [Experts](#), commissions, and [think tank studies](#) have proposed many specific and actionable ideas. (Former comptroller [Bob Hale has been particularly prolific in this regard.](#)) But achieving savings requires looking broadly and a willingness to spend some political capital. Looking broadly means examining everything that is not a war fighting force. There are about 850,000 military and civilian personnel in overhead activities; the 26,000 in the Pentagon itself represent only 3 percent of that total.

So where is all the DOD overhead? Described below are four of the major overhead categories (comprising what DOD calls “infrastructure”), along with some reform ideas for each to give a sense of the decision space.

- **Management headquarters.** These include not just the Pentagon itself but all the defense agencies and combatant commands as well. There have been proposals, for example, to reduce the scope of activities of the combatant commands. These nine commands, originally designed for warfighting, have become involved in budget, strategy, and diplomatic activities. Staff could be cut back to encompass only the original activities. However, Congress keeps asking questions about budgets and strategies so the commanders need staffs to reply and, around the world, the regional commanders have capabilities that facilitate engagement with partners and allies.
- **Medical care.** The cost of providing medical care to active duty personnel, dependents, and retirees has skyrocketed, [now reaching \\$51 billion per year](#). The civilian sector has coped with escalating medical costs by increasing fees, copayments, and deductibles. [Efforts to do that in DOD](#) have met little success, as they are regarded as an attack on promised benefits.
- **Base operations.** The McKinsey report recommended “benchmarking” military activities against civilian activities, which implies eliminating support activities that civilian organizations do not provide, such as schools, daycare, recreation, department stores (base exchange), and grocery stores (commissaries). However, military advocates see such reductions as undermining support to military families, and past efforts have failed.
- **Acquisition oversight (auditing and contract management).** DOD is making *sloooooow* progress towards auditing its books. Some critics believe that such an audit will reveal billions in waste, but that [expectation is unfounded](#), since all accounts are audited now, just late and inefficiently.

There are more areas—logistics, personnel management, central training (boot camp, initial skills, and career education), acquisition organizations (program management, engineering, testing, and labs), special activities (monitoring arms control agreements, litigation connected with detainees at Guantánamo)—, but the picture is the same: cuts are possible but hard. Defenders of overhead activities have reasonable arguments in addition to being passionate in defending their parochial interests. That’s why there are no “low hanging fruit.” All the fruit are high in the tree.

Administrations, therefore, need to expend political capital to overcome the resistance that cuts engender. As a result, administrations tend not to push very hard for savings. The Obama administration, for example, repeatedly proposed BRAC but never pushed hard. Neither the secretary nor the president made phone calls to persuade legislators or put pressure on them to support the legislation. To be blunt, why should they? The administration got the political value of proposing the right thing without the political cost of angering legislators and communities when bases were actually closed. Further, savings would not accrue for many years, so they would benefit future administrations, not the current administration. So far, the Trump administration has followed the same path.

However, the Trump administration will be under more pressure to find management savings because it will be proposing large defense budget increases. The public and Congress want assurance that this increased spending will be used wisely. The Reagan administration, for example, conducted an extensive campaign against “fraud, waste, and abuse” as it implemented its defense buildup. Further, DOD is already hard pressed to fund everything it believes is necessary. Every dollar squeezed out of overhead is a dollar available to forces and acquisition programs.

Sometimes outside commissions can be helpful in proposing bold ideas and providing political cover. In the 1990s, when DOD was aggressively reducing overhead as part of the post-Cold War drawdown, it created a panel of outside experts to identify cuts. The Trump administration might find such a mechanism useful, both politically and substantively. It will also need to have a public communications effort that includes both the secretary and the president if it is going to generate the political momentum needed.

But the first step is to stop kidding ourselves that there are easy savings.

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