



PERFORMANCE MANAGEMENT

Chief Management Officer for the DoD: Does It Matter?

By Douglas A. Brook

A CDMR study examines how DoD has implemented Congress-mandated chief management officers—finding both accomplishments and criticisms.

In the National Defense Authorization Act for fiscal year 2008, Congress acted on a recommendation originating from the Government Accountability Office (GAO) to mandate the establishment of chief management officers (CMO) in the U.S. Department of Defense (DoD) and each of the three service components. A 2013 study by the Center for Defense Management Research (CDMR) explored whether the legislatively prescribed change in DoD management structure has produced identifiable improvements in management.

Recommendation for CMOs

In 2002, a panel of government leaders and management experts, assembled by the comptroller general, urged reforms to elevate, integrate, and institutionalize responsibility for key management functions and business transformation efforts. In prior GAO case studies, organizations with effective senior management officer positions had two distinct characteristics: they reported to the top of the organization and they had line authority over specified business management functions.

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In 2005, the GAO put the DoD's approach to business transformation on its high-risk list, meaning DoD's management reform itself was at risk for fraud, waste, abuse, and mismanagement. The GAO recommended the department establish a CMO responsible for the agency's progress and urged Congress to mandate its implementation.

In the GAO's view, the CMO should be a senior-level position responsible for key management functions and business transformation efforts. GAO envisioned a full-time leadership position, dedicated solely to planning, integration, and execution. The GAO recommended a CMO position at Executive Level II, reporting to the Secretary of Defense with a five-to-seven-year term.

DoD's response was to disclaim the need for a new chief management officer. Instead, DoD asserted that the Deputy Secretary already exercised department-wide responsibility for business management and should be the official responsible for overseeing management reform. In September 2007, the Secretary of Defense formally assigned chief management roles and responsibilities to the Deputy Secretary.

Ultimately, Congress deferred to the DoD's argument by designating the Deputy Secretary of Defense as the department's CMO in the FY 2008 National Defense Authorization Act. The act also mandated establishment of the office of the deputy chief management officer (DCMO) and designated the undersecretaries of the three service components as CMOs for their respective military departments. The service CMOs are not aligned under the DoD CMO, but instead report to their individual service secretaries. Congress subsequently mandated business transformation offices in each of the service components.

Implementation and Organizational Structures

CMO implementation is an ongoing process in DoD, but the fundamental structures and management agencies have taken shape and early accomplishments are visible. For instance, the Office of Secretary of Defense (OSD) and service components have each established

the leadership positions of the CMO and DCMO, formed offices for business transformation, and staffed those offices.

Each military department formed a high-level governance and decision

body to oversee business transformation: the Army Enterprise Board, Air Force Council, and Department of Navy Business Transformation Council. The same primary elements were observed across the department, but the four CMO organizational structures were not identical.

At the OSD level, the Undersecretary/CMO served as chair of the senior-level Defense Business Systems Management Committee, later replaced by the Deputy Secretary's Management Advisory Group. The original OSD DCMO staff of 12 grew to 137 when portions of the Business Transformation Agency were absorbed.

In the Department of the Navy, the Deputy Undersecretary of the Navy (Business Operations and Transformation), a non-career Senior Executive Service political appointee, was designated as DCMO. The Navy Enterprise Business Office, comprised of approximately 20 staff, was organized into two directorates: business operations and business transformation.

The Department of the Army designated a career senior executive as DCMO and to serve concurrently as the deputy undersecretary of the Army for management. The Army's Office of Business Transformation, led by a three-star general officer, employed approximately 200 staff members split into three directorates: transformation, operations, and innovation. The Army also formed the Institutional Army Transformation Commission to collaborate with senior leaders to identify areas for management improvement.

The Air Force designated an SES-level career civilian position to serve as director of business transformation and DCMO. The Air Force Office of Business Transformation employed a staff of approximately 140 in two major directorates: the enterprise transformation directorate and the transformation outreach directorate.

The GAO viewed these organizational and staffing initiatives as essential building blocks, but also expressed concerns about further defining CMO and DCMO responsibilities and assigning specific roles for integrating, monitoring, or otherwise institutionalizing ongoing

efficiency initiatives. GAO also was concerned that the OSD DCMO has no programmatic responsibility over the service CMOs, but rather plays a collaborator or consultant role.

GAO envisioned a CMO with broad management experience, a proven track record of making decisions in complex settings, and direct experience in the department. That does not seem to fit the profile of the initial appointees.

While bringing diverse experiences to their jobs, few of the 10 holders of these positions between 2009 and 2013 appear to have the kind of background envisioned by the GAO. Seven had predominately policy backgrounds, one had a previous management career, and two had combined policy and management experience. Congress apparently has not insisted on broad management experience when approving nominees for Senate-confirmed CMO positions.

Management Agendas and Accomplishments

The early management agendas of the OSD and service component CMOs were similar, but also reflective of differences in organizations and priorities. These agendas can be viewed in four categories:

1. concepts, such as performance management
2. processes, such as investment review boards and the new Defense Business Council for reviewing acquisition decisions
3. management initiatives to achieve financial efficiencies
4. major systems improvements, such as enterprise resource planning systems.

DoD has asserted success in establishing the chief management officer organizations, and each of the CMO organizations has reported accomplishments on management reform.

Achievements

The OSD cited its cash-off-the-battlefield initiative, a Defense-wide effort to reduce the use of currency to pay vendors in Afghanistan and Iraq, which was presenting a variety of security and auditability concerns. Many transactions are now made electronically, eliminating the need for local cash.

Another OSD accomplishment is the removal of security clearance reform from the GAO high-risk

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list—the only time that GAO has removed a DoD high-risk area since the inception of the list in 1990.

The Navy claimed that more efficiency savings were redirected than was required by the OSD: \$42 billion in efficiencies by streamlining organizations and consolidating common functions. Of these efficiencies, \$35 billion went toward preventing reductions to readiness levels, aviation and shipbuilding programs, weapons systems, and Marine Corps command-and-control capabilities.

The Marine Corps Global Combat Support System, a logistics program to modernize IT effectiveness, increased the number of users to 36,000. In financial management, the Department of the Navy has the only military service, the Marine Corps, asserting auditability and under audit.

The Army's new General Fund Enterprise Business Systems, a program that joins financial reporting and management information, was being used by 45,000 out of 50,000 potential users. This program has processed more than 20 million financial transactions throughout the Army, distributing \$80 billion in funds and obligating roughly \$60 billion.

It is not clear, however, whether claimed accomplishments were the result of the CMO. For instance, while it is notable that one DoD's program for security clearances has been removed from the GAO high-risk list, that work began before the OSD DCMO was designated, and it was an interagency effort. Similarly, the cash-off-the-battlefield initiative involved work by the Business Transformation Agency prior to the establishment of the CMO/DCMO role.

Ongoing Criticism

There is ongoing criticism from Congress and the DoD Inspector General (DoDIG) of DoD's ability to create a climate of cultural change in support of business transformation. At a Senate Armed Services Committee

About the Study

The Center for Defense Management Research study used data and information collected from public records: primarily government and agency reports, congressional hearings, press releases, and reports by the GAO and the DoD Inspector General. Data and assistance was requested from the offices of each of the deputy chief management officers (DCMO). Documentary materials were provided by the Departments of the Army and Navy.

Portions of the report were sent to the DCMOs of the Office of the Secretary of Defense, and the Departments of the Navy, Army, and Air Force for their reviews and comments. Responses were received from the Department of the Navy, which contributed to the final product.

You can access the complete study at [http://www.nps.edu/Academics/Schools/GSBPP/docs/research/Implementation of the Chief Management Officer in DoD.pdf](http://www.nps.edu/Academics/Schools/GSBPP/docs/research/Implementation%20of%20the%20Chief%20Management%20Officer%20in%20DoD.pdf).

hearing, Senator Mark Begich asked, “What are you going to do to dramatically change that culture?” and Senator Kelly Ayotte asked, “Do those leading DoD’s financial improvement efforts have the authority needed to influence the service secretaries and military chiefs, as well as other political appointees within DoD, to ensure that what is required to succeed actually gets done?”

The DoD Inspector General reviewed the department’s systems modernization, financial management, and acquisition programs. According to the DoDIG, schedule delays will cause the DoD to continue using outdated legacy systems and diminish the estimated savings.

Meanwhile, the DoDIG also found that the department is far from reaching an unqualified opinion on its consolidated financial statements—although it has demonstrated improvements. And the DoDIG said DoD is struggling to rebuild an acquisition workforce and address problems with contractor oversight and pricing.

Most of these are long-standing problems that pre-date creation of the CMO, but there is little in the DoDIG reports to suggest that any discernible progress is attributable to the new CMO organization.

Analysis and Conclusions

The CDMR study found that in implementing the CMO mandate, the DoD had essentially integrated the CMO concept into its existing management transformation environment. For the most part, the CMO organizations were re-positioned from previous entities,

such as the case of most of the disestablished Business Transformation Agency migrating to the OSD CMO. Staffing came from inside the organizations with only the Navy selecting a politically appointed senior policy official as DCMO.

Likewise, management agendas, as reflected in the strategic management plans, were well-written compilations of existing and ongoing programs for business process improvements, systems modernization, and governance structures. And claimed accomplishments were mostly for management initiatives that pre-dated establishment of the CMO.

DoD incorporated the new policy into its existing leadership, staff structure, and management agenda. The portfolios of the chief management officers were largely continuations of prior initiatives. The department essentially co-opted the CMO idea and enveloped it into its existing organization—attending to its ongoing management reform agenda, while complying with congressional organizational and reporting mandates.

The CDMR study has implications for understanding the response of public bureaucracies to legislated management prescriptions. Do legislatively mandated management reforms change behavior and improve management or do bureaucracies simply bend their existing management processes, practices, and agendas to fit the form of the new requirement and facilitate reporting requirements?

The results of such studies could help to inform future rounds of Congressional and advisory commission prescriptions for improved public management.

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