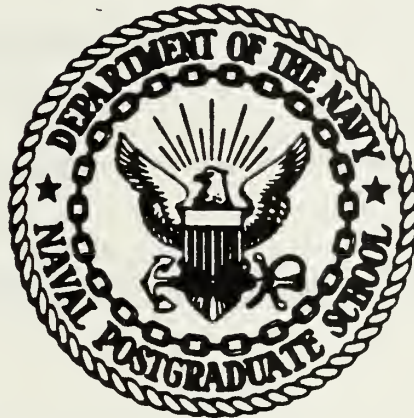


THE DEVELOPMENT OF MANAGEMENT POLICY
IN THE DEPARTMENT OF DEFENSE

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Monterey, California



THESIS

THE DEVELOPMENT OF MANAGEMENT POLICY
IN THE DEPARTMENT OF DEFENSE

by

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The Development of Management Policy
in the Department of Defense

by

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Captain, United States Marine Corps
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ABSTRACT

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I. INTRODUCTION

A. THE PROBLEM

During the first half of this century, the U.S. military establishment experienced two persistent and significant problems. One was predominantly internal; the other primarily due to external factors.

The former involved difficulties in achieving within the military establishment a unity of effort among the services. Lack of cooperation, and in some cases even a failure to make preparations for possible cooperation, had begun to surface as a serious problem as early as the turn of the century.

In the latter case, the problem involved a lack of useful strategic direction, from higher authority, upon which the military community could base effective planning. In the absence of such guidance, each service had opted to chart its own course, usually independent of the other service, and very often independent of the nation's vital interests and goals.

By the mid-1940's, two factors had materialized that highlighted the obvious need for some form of corrective action. One stemmed from the growing need for closer cooperation between the various air, ground and naval forces involved in joint (as well as combined) tactical operations. The second

emanated from the growing realization that at least for the foreseeable future, the U.S. would be a major world power with far reaching international responsibilities. Further, it was realized that the military community would most likely continue to play a major role in the development and implementation of U.S. foreign policy. It would be necessary, under these circumstances, to insure that the forces developed and maintained to carry out that foreign policy were consistent with it.

B. THE PURPOSE

The purpose of this thesis is to conduct a review of the process by which the U.S. defense establishment has evolved since World War II in its attempts to solve, or at least compensate for, the two major problem areas previously described.

Most of the focus of this paper is directed towards those changes within the defense establishment, since that is where most of the corrective action has been attempted. However, where appropriate, actions which have taken place in other elements of the Executive branch, as well as the Legislative branch, of the government have been cited.

It should be recognized, however, that no attempt has been made to specifically assess the impact of the actions taken, nor has any attempt been made to identify the need for additional specific corrective actions.

C. METHODOLOGY

This study is based on extensive research of original and secondary source materials. The subject matter is conducive to an historic approach, so generally the paper progresses in a chronological order. The most important studies, legislative initiatives, and internal reorganizations, which affected the development of management policy in the Department of Defense, are presented. Then, their impact on identified management problems is assessed. The analysis is not to be limited to events, however, since the effects of major individual players and organizational behavior are also presented.

Each chapter covers a separate era in the development of management policy within the Department of Defense. The one immediately following this Introduction discusses the management problems, which led to the establishment of the Department of Defense in 1947. Chapter III presents the controversy over unification of the armed services, which followed WWII. The resulting National Security Act of 1947 and its Amendments of 1949 are also presented. The next chapter traces the development of DoD management policy through the 1950's. The recommendations of major studies, and provisions of legislative acts and reorganizations are provided. Then, their effects on the major management problems are analyzed. Chapter V, entitled "The McNamara Years," details the contributions of Robert S. McNamara to the development of management policy

in DoD from 1961 until 1969. Chapter VI identifies significant studies and legislative efforts from 1970 to present. Chapter VII provides a brief summary of the evolution of the defense establishment, focusing on those organizational entities most affected.

II. PROBLEMS LEADING TO THE NATIONAL SECURITY ACT OF 1947

The management problems, which existed within the defense establishment prior to the 1947 National Security Act, can be divided into two classes. The first class of problems are those which are historic in nature, and can be traced to the historic roots of the services and governmental traditions. The second are those problems, which developed from the crucible of WWII experience. Along with creating this new class of problems, the war required the need for new, more radical solutions to the older ones.

Among the problems of an historic nature are: the habitual need by the military for wartime reorganization, civilian control of the military, military control over its functional parts, and the continued development of budgetary controls. Each of these was exacerbated by warfare on a scale never before imagined. For example, each service had experienced a need for internal reorganization during both the Spanish American War and WWI. During WWII this need for reorganization was extended to joint inter-American operations, requiring the integration of both services; and to allied operations, requiring the integration of our joint forces with those of allied nations.

WWII also produced pressures which created a new class of management problems. Some of the problems resulted from

the demand that this war placed on the resources of both the military and civilian sectors. Great management problems developed wherever the civilian and military sectors interfaced. Control over procurement and the integration of military and foreign policy, required the use of innovative management techniques and new management organizations. Other management problems resulted from the creation of new wartime organizations. The evolution of the JCS throughout the war is but one example.

Each problematical theme will be developed in an historical narrative format. Where material differences exist between the development of a problem within the Army and the development within the Navy, both will be presented. Otherwise, the problematic theme will be developed within the context of that service, which is more illustrative of the management problem under consideration.

A. PRIOR TO WORLD WAR II

Several major problems were historic in nature and could be traced through the evolutionary development of the War and Navy Departments. Historically, each service required a re-organization for its war effort, especially in the logistics area. Generally, the Navy's transition appeared to be smoother than the Army's, during both the Spanish American and WWI. However, each department was subjected to criticism in the aftermath of both wars. The logistics problems resulted

primarily from a lack of coordination, which was fostered by the bureau/department system.

Service secretaries had no real control over the military departments for which they were the nominal head. Military officers in general could remain unresponsive to civilian control or persuasion because of the insulating effect of the promotion system. Subsequent change to a merit selection system did not substantially alter the fact that civilians had little control over military careers.

The department secretary had little or no control over his service budget. More than just an evolutionary accident, this lack of control on the part of the service secretary was promoted by Congress. Congressional support of the traditional budgeting process was prompted by classical pork barrel politics. By encouraging a strong bureau system and by forcing each bureau to separately apply to Congress for funds, individual Congressmen could better direct spending, which would benefit their own districts.

Historically, any control by the civilian department secretary over the military service chiefs, was predicated upon the convenience of that control to the service chief. Prior to the turn of the century, a senior military head of each service did not exist. Once each service had a senior military head, either Chief of Staff or Chief of Naval Operations; the chief, especially in time of war, had direct access to the President. This, combined with his ability to control the

information flow to the department secretary, tended to insulate the chief from civilian control. Historically, the Navy Chief and the Navy Secretary shared an adversary relationship, which could best be described as peaceful coexistence. The Army Chief and the Secretary of War, on the other hand, shared a relationship of cooperation for mutual survival. The department system in the Army presented its chief with a greater variety of problems, precipitating a closer secretary-chief alliance.

The department system in the Army and the bureau system in the Navy presented each with several internal control problems. Each department/bureau under separate, strong leadership became a fiefdom with which to be reckoned, especially since each had a right of direct access to the Congress. Implementation of the service chief system near the turn of the century provided for the position of military head, but he was given none of the necessary powers to control his service. Promotions were still controlled within department/bureau specialties. Budgetary control remained in the hands of bureau chiefs with their special relationship to the Congress. Even during WWI, the Chief of Staff's authority, with respect to strategy and allied relations, was subordinate to that of the American Expeditionary Force Commander. Additionally, the growing air arm controversy further decreased the service chief's control over the entire Army.

The budget, as a management control system, was underdeveloped prior to WWII. The major thrust of legislation to

this point had been the gradual shift in responsibility for budget preparation from the Congress to the President. This shift came slowly. While strong Presidents had historically expressed a willingness to assume control of the budgetary system, Congress guarded its position of controller of the purse strings jealously.

The earliest budgetary system had the individual executive agencies submit annual estimates of projected expenses. These were then assembled in a "Book of Estimates" by the Secretary of the Treasury and submitted to Congress. The role of the Secretary of the Treasury was limited to transmission of the estimates of spending and sometimes supplying estimates of revenue. The President was allowed no direct budgetary responsibility. For the justification of requests, the agencies/departments needed only to deal with individual congressional committees. Some of the stronger Presidents did exert influence on the system; however, even to the extent of padding estimates [14:42].

Until the Civil War, the budgeting system was relatively centralized in the Congress with one committee in each house controlling both revenue and spending bills. After the war, specialized appropriations committees began to proliferate in both houses. The budgetary process became a series of random events with negotiations for expenditures taking place between specialized executive departments and equally specialized appropriations committees. There was no executive review of

requests nor Congressional coordination of the budget process. This situation existed for half of a century because continued budget surpluses called no attention to it [14:43].

Increased competition between committees for appropriations began to result in deficits in 1904. This caused pressure from the civilian sector to move to balance spending with revenues and to establish an effective budget system. Although Congress was slow to respond, in 1906 it took action to curb deficiency appropriations. Until that time, departments habitually would submit low estimates, then request additional funding later in the year. Congress would even encourage this action during an election year, quietly granting the additional request after the election. In 1909 Congress passed an appropriations act, which allowed the President to propose appropriations reductions or revenue increases in his State of the Union address. He still had no authority, however, to review budgets, limit or control spending [14:44].

In 1910 a Presidential Commission, established with the concurrence of Congress, reported that, "effective Presidential involvement in the formulation of the budget was necessary to provide needed administrative centralization and political responsibility in the executive branch." Congress continued to ignore the results of this report, for fear of erosion of Congressional control of the purse [14:44].

After WWI the need for debt management provided an impetus for a federal budgetary system with executive control.

In 1921 the Budget and Accounting Act gave the President federal responsibility for preparing a national budget. It established the Government Accounting Office (GAO) to aid Congress and the Bureau of the Budget, within the Department of the Treasury, to aid the President in the preparation of the budget [14:45]. The President's role as chief budgeteer was reenforced during the 1920's and 1930's with increased recognition of the budget's role in economic stabilization. In 1946, the Employment Act established a federal government role in economic management and assigned its central position to the President [14:46].

It is easy to see that, until this point, the struggle with reference to the budget centered on who was to control the purse: the Congress or the President. The use of the budget as a powerful management control technique was as yet unexplored.

B. PROBLEMS WHICH DEVELOPED DURING WORLD WAR II

Those problems, which existed prior to WWII, were for the most part exacerbated by the war. Members of the administration and each of the services wrestled with these problems throughout the war period. Additionally, the global proportions of the war and meteoric expansion of technology, challenged those responsible for defense with many new problems.

With the outbreak of WWII it became clear that the habitual need for wartime reorganization was the result of the military's need to improve its own internal control. The global

proportions of this war required a general decentralization of command authority, both between and within theaters. A centralized control over the bureau/department functions was necessary to integrate supply and procurement.

Change to defense management, while propelled by the war, can best be described in terms of the dominant personalities of the time. Throughout history, crises have been managed by strong personalities. Changes in organization for the management of the war effort were primarily for two purposes: to improve the military's control over its own resources, and to improve civilian control over the military. The latter can best be explained by the personality of the President.

President Roosevelt could tolerate the ultimate control of the military in the hands of no one other than himself. The master manipulator of people, he applied his usual technique for control early in the war. Roosevelt chose strong individuals to run the various defense organizations. He increased their powers so that they could control their organizations more effectively, but was always careful to balance one against the other. Each was powerful within his own domain, but the larger domain was always reserved for Roosevelt.

For example, early in the war, Roosevelt chose Adm. King as Commander in Chief, United States Fleet. Roosevelt subsequently consolidated King's power over the Navy by also making

him the Chief of Naval Operations. King now had command over all operational forces as well as the authority to coordinate and direct the bureaus. At the same time, however, Roosevelt strengthened the hand of the Navy Secretary vis-a-vis King by increasing the size of the former's staff. Roosevelt placed King under the general direction of the Secretary of the Navy [7:137]. Ultimate authority for the direction of the war effort rested with Roosevelt, however, for King was made responsible directly to him. Throughout the war, Roosevelt would take actions to balance the relative powers of each member of this adversary relationship.

Roosevelt was particularly careful to control the continual clash between the Navy Department's two dominant personalities: King and Undersecretary of the Navy Forrestal. Forrestal was the head of the Office of Procurement and Material (OP&M). He was responsible for coordination and policy direction of the Navy's material program. King's COMINCH-CNO responsibilities posed a direct threat to Forrestal because King felt that, as COMINCH, he had authority over the bureaus, which the CNO had formerly lacked. Consequently, King would present his material requirements directly to the bureaus. This separated OP&M from those material programs that it was supposed to supervise [7:138].

This controversy was rooted in two traditional, conflicting views on the proper organization of the Navy Department. One held that the Navy be divided into its civilian and

military functions, with the head of each reporting to the Secretary. The other subscribed to the notion of a single military commander responsible for the entire establishment [7:138].

King proposed to close the resulting schism between planning and distribution by his offices and procurement by Forrestal's with an official reorganization, placing control over OP&M under the CNO. Rebuffed by Forrestal and Roosevelt, King remained undaunted and totally implemented his plan unofficially. Roosevelt then stepped in and restored the balance.

The operational side of the Navy should control the material side in determining kinds of material. The procurement of this program should then be left to the procurement side with a minimum of interference in the way it is done. Operations, quite obviously, has all it can handle in its own field [7:140].

Since King's persistent attempts to gain control over procurement had failed, the fissure between strictly military logistics and procurement remained.

Liaison with the line was in fact a serious weakness in the logistics system of the Navy during the war. In practice the CNO presented its requirements to the bureaus and was hostile to any review of them. It was not until 1945 that any procedure for a regular review of requirements was established, and then it was met with strong opposition from the military side of the Navy [7:139].

In 1945 President Truman issued an executive order covering King's office and representing an agreement between Forrestal and King. The order provided the CNO with Vice Chiefs for the various bureau functions, permanently combined

the functions of COMINCH and CNO into the office of CNO, and made the CNO responsible to both the President and the Secretary, vice directly to the President. This strengthened the CNO so that the military side of the department could be centralized. Responsibility for logistics was divided between consumer and producer logistics. Finally, a clear doctrine existed, which placed civilian executives in direct charge of the business administration of the department, including direct control of producer logistics [7:143,144].

The Navy's major organizational changes have been detailed in the previous section. In summary, internal control of the Navy was improved along two avenues: Operational control of combat fleets was decentralized under the authority of theater commanders. Administrative control, as well as overall operation of the war effort, was vested in the office of CNO. This centralized authority represented an attempt to coordinate the activities of the various bureaus.

Early in WWII, two internal control problems became evident to the Army High Command: The growing independent strength of the Air Corps, in relation to the General Staff and the War Department, detracted from centralized control of the Army. Also, the internal organization of the Army General Staff confused lines of authority [7:113].

In 1940 the war plans division of the General Staff, G-5, was assigned to train the field forces in the United States. It had already developed in size to a mini-general

staff; however, by the end of 1941 it became evident that the War Department had to be organized to fight a multi-front war. Another General Headquarters was necessary to direct troops in the field [7:117].

The solution was proposed in another executive order; this one issued 28 February 1942. Once again decentralization of command authority was the major objective of reorganization. Centralization of administration was also provided.

Operations of the Army were organized into three major commands under the Chief of Staff. Each was directed by a Commanding General. They were the Army General Forces, Army Air Forces, and the Service of Supply. The Chief of Staff was given command authority over the entire Army, specifically the supply bureaus. A direct command relationship was established between the President and his Chief of Staff in dealing with matters of strategy, tactics, and operations. The executive order recognized the authority of the Secretary of War in other matters, including prescription of the functions, duties, and powers of the Army commands and the provisions for administrative methods and controls [7:115].

It is clear that this reorganization was intended to explicitly extend and consolidate the Chief of Staff's control over the Army. It is equally clear, however, that Roosevelt intended to direct his own war. Ultimate responsibility for strategy, tactics, and operations remained in his hands. That it was Roosevelt's desire to strengthen the hand

of his Chief of Staff is reflected by the fact that, during formulation, the reorganization "was kept secret in the General Staff in order to avoid mobilization against it" [7:116].

In order to preserve the balance of power between subordinates, Roosevelt further directed that, "War Department staff practices would assure direct civilian involvement with Army policy despite the formal arrangements: The Undersecretary remains fully responsible for procurement and for dealings with the War Production Board" [7:116].

The conduct of warfare on the global scope of WWII involved not only the total efforts of the government and military community, but also the total resources of the civilian economy. In fact, the turbulence caused by the administration of economic mobilization was one of the three major sources of new problems, which affected the administration of the services during the war [7:160].

One of the major interfaces between the services and the civilian economy occurred in the activity of procurement. Having been the primary orchestrator of the economy for the previous decade, Roosevelt was not about to allow the military to run amuck in this arena during the war. He realized that military leaders would never fully understand the political implications of procurement decisions, especially during a time of war. Roosevelt carefully insured that this interface between the military and the civilian economic

community was under civilian control. Furthermore, the civilian control, at all times, was required to be responsive to Roosevelt.

The important activity of Navy procurement was under the cognizance of Forrestal's Office of Procurement and Management (OP&M). Along with Secretary of the Navy Knox, Forrestal constantly sought means of coordinating the procurement side of the Navy. In particular, he pioneered the development of two kinds of administrative controls: statistics and the legal supervision of contracting [7:146]. This is particularly notable because it marks the first time that civilian authorities attempted to "manage" a service department with modern business methods.

In one of his first actions as Undersecretary of the Navy, Forrestal commissioned what became the first Ebberstadt study. The resulting report stated that, "Procurement machinery of the Navy Department was designed to work in a peacetime situation, where the plentiful supply of facilities and materials and the small size of procurement raised no problems of planning or scheduling. Thorough overhaul of procurement methods is needed to achieve more precise estimates and more accurate planning and scheduling" [7:149].

Forrestal recognized the need for a totally new organization within the purview of the Undersecretary. The establishment of OP&M in January of 1942 had superimposed a new, centralized organization upon the old, decentralized bureaus. OP&M was to coordinate Navy procurement in the face of what remained the statutory autonomy of the bureaus. OP&M exacted control over Navy procurement through supervision of the contracting, scheduling, quantitative controls, and through control over the expediting process and methods [7:156].

The administration sponsored legislation, which allowed contract negotiation to replace competitive bid contracting. Contract negotiation was already a specialized skill in private industry, but Forrestal soon discovered that it was totally unfamiliar to the Navy's JAG community. Forrestal used the need for skills distinct from the old bureaus' normal engineering competence, to build his own organization for control. He recruited OP&M, men whose skills could fulfill the bureaus' needs for commercial legal advice in contract negotiations, commercial negotiations, clearance procedures for contracting, and statistical controls [7:179].

Forrestal's success in control over the procurement process resulted from the independence of his legal and business technicians assigned to the bureaus. He prospered

from the availability of men for these jobs, who perceived their tenure as temporary and the career effect of conflict with bureau chiefs as negligible. The uncommon stress of the war helped to make their advice acceptable to the bureaus. Still, Forrestal voiced one reservation, "Could the same methods succeed in the long run?" [7:157]

The second external condition, which most affected the administration of the services during the war, was the rise to eminence of the JCS. The emergence of a corporate body such as the JCS was logical, given the need for an agency to coordinate the direction of U.S. military operations on a global scale [10:2].

The JCS was an outgrowth of the Combined (U.S.-British) Chiefs of Staff (GSS), set up a few weeks after the Pearl Harbor attack. It also evolved from the Joint Army and Navy Board, which was not suited for wartime coordination [10:1].

The basic duty of the JCS was to provide strategic advice and direction for the U.S. military effort. It was also to advise the President with respect to war plans, strategy, relations with allied nations, manpower and material needs of the armed forces, and matters of joint Army-Navy policy [10:3]. In effect, the JCS was a corporate body of military knowledge, independent of

statutory duties, whose function was to aid Roosevelt in coordinating his war effort. The President dealt directly with this body with no service secretary intermediaries [10:4].

Historically, those Constitutionally charged with civilian control of the military have carefully avoided granting command over the entire armed forces to one military officer or an integrated group of officers. Secure in his power, Roosevelt gave the JCS authorities during the war, which were later withdrawn from them. The JCS became responsible for national intelligence collection, research and development of new weapons, and allocation of munitions [10:4].

During the war, great pressures existed for integration of policy in the JCS. One was the continued need to present a common front to the British and other allies. "Roosevelt had warned the Joint Chiefs that they ought to settle their own differences over strategy so that they would be able to deal with the British effectively in the staff conferences ahead" [7:161]. This was a continuing problem for the JCS. Continued pressure was also exerted by the growing independence of the Army Air Corps.

Despite constant Presidential emphasis and external pressures for integration of the JCS and a more effective coordination of policy, great problems plagued the JCS throughout WWII. There existed far ranging differences over service roles and missions. Each service was unable to avoid a concern with justifying its own claims and utilizing its own capabilities. The individual members of the JCS could agree on fundamental issues of strategy, only under extreme pressure. As a result, the JCS operated on compromise. Decisions, involving inter-service disputes, were delayed or avoided; and decision making, in general, was closed to outsiders. Consequently, JCS action was characterized by an inability to make timely decisions [7:170].

The third external condition, which most affected the administration of the services during the war, was the suddenly pervasive need to closely coordinate foreign policy with military policy [7:160]. In a time when every political, foreign policy question had military implications, this coordination process was ably handled by Roosevelt. By the close of the war, however, the most perceptive statesmen had recognized the need for a general administrative reorganization, which formally recognized this link.

C. SUMMARY

Management policy within each service department had been allowed to develop, during the century preceding WWII, in an evolutionary manner. Organizations within the defense establishment were more the result of quick-fix problem solving, political compromise, and entropy, rather than an objective attempt to recognize and to logically solve legitimate managerial problems. This evolutionary process tended to ignore broad business principles, which should have guided the development of management policy. The principle of having authority equal responsibility was habitually ignored in the evolution of service department secretaries. The principle of establishing a clear, organized chain-of-command was also consistently abused, both within the military and among the organizational branches of the federal government. Service departments and bureaus were permitted to be virtually independent of service chiefs. The Congress encouraged servicemembers to circumvent their Commander in Chief in the budgetary process. In addition to ignoring these broad business principles, the evolutionary process of solving management problems tended to ignore even greater political principles such as civilian control of the military.

Although there is some evidence of an attempt to take a business approach to solving management problems during WWII, evolution again played a more significant role than should have been permitted. Civilian control of the military was maintained through the force of a strong President. An interface between the development of military policy and the development of foreign policy was a recognized need; but no formal relationship between the two was implemented during the war. The JCS was founded as a corporate body at the beginning of the war, allowed to evolve throughout the war, yet was never granted statutory authority during the war. Joint operations were pursued successfully throughout the war, yet doctrine, which did evolve from these operations, was never formalized and accepted across the board by the services. In fact, each service held fundamentally opposite views on the organizational approach which should be taken for such operations in the future.

Formal, organizational resolution of the above problems would have no doubt required a protracted battle in Congress. Because of their different traditional organizational experiences and parochial interests, the Army and the Navy proposals on each of these issues differed widely. A tacit agreement by all parties existed,

which accepted these evolutionary, compromise approaches to solution at least until the war ended. Postwar reorganization was inevitable, but until then, the stage was being set for violent disagreement.

Two management problem areas were solved very well during the war. In each of these cases, institutional changes were made in an organizational approach to solving complex problems. The first area was military control over its own internal functions. In each service, the now strong service chief was able to overcome the traditional strength of his service's bureau/department organization. The other area was that of control over procurement. Success in this area is particularly notable because it marks the beginning of a trend to successfully utilize established business methods in defense management. One measure of the success achieved in these two areas is that they were to be virtually unchanged in the postwar unification of the services which followed.

This chapter has provided the historic background for many of the management problems which would plague the defense establishment for the next three decades. Four organizations within the defense establishment would wrestle with these problems. They were: the Office of the Secretary of Defense, the JCS, the unified and specified

command structure, and the individual military department headquarters. These four organizations would attempt to resolve these problems first with organizational changes, then with innovative managerial techniques, and finally with cycle and process changes.

III. THE UNIFICATION CONTROVERSY, NATIONAL SECURITY ACT OF 1947, AMENDMENTS OF 1949

From the close of the war until 1947, the uneasy peace, which had existed between the services over postwar unification, erupted into a protracted struggle. The battleground was in the halls of Congress. Each side used all of its political muscle in an attempt to influence the outcome of the unification controversy.

This chapter will provide a summary of the important details of the unification controversy, which led to the National Security Act of 1947. The provisions of the Act and the subsequent postwar defense experience were the subject of close scrutiny by the First Hoover Commission on government reorganization. The Act was subsequently amended in 1949. A summary of the Hoover Commission findings and their impact on the 1979 Amendments will also be presented.

A. THE UNIFICATION CONTROVERSY

The pressures of the war renewed a controversy, which had flared periodically since the turn of the century: unification of the armed forces. The problems encountered with the wartime organizations of the services almost assured a large scale postwar reorganization. The time was right for proponents of unification to finally achieve their goal.

Proponents of unification, as well as its detractors, tended to be split along organizational lines. Even the

strong personalities of the time held views which could have been largely attributed to organizational assimilation. The principle players in the postwar unification controversy were organizations: Army, Navy, Army Air Corps, and the Administration, which represented civilian control advocates.

The Army, as an organization, tended to favor unification of the armed services very early in the war. The Chief of Staff, Gen. Marshall, went on record as early as 1941 favoring some form of unification at a future date. He perceived a consolidated military staff, whose chief would serve the President directly [7:189]. This direct access to the President was important to Marshall, who felt that the Commander in Chief should receive military advice from professionals, with a minimum of intermediate civilian interference. By 1943 the Army had proposed a combined General Staff with three services under a single Secretary. They even included in their proposal a separate Air Force.

The impetus behind the Army proposal can be interpreted as a realistic attempt to minimize their possible loss. The Army knew that loss of control over the Air Corps was inevitable. The Air Corps had already grown very independent. Its Commander, Gen. Arnold, had sat as an equal on the JCS since that body's inception. The Army realized, that in the inevitable postwar scramble for scarce resources, it was the least glamorous of the three services. Pragmatically, the Army felt that it would be better off dealing within a unified

defense establishment as an equal, than with Congress in direct competition with its rivals [7:194].

The Army Air Corps had championed unification for decades as its vehicle for independence. In fact, the entire rationale for the Air Corps' argument had been inextricably intertwined with unification since the 1920's. In its view, independence was not assured until achieved. Recognizing its glamor-image with Congress as the service of the future, the Air Corps had no reason to fear that unification would inhibit it. The Air Corps pushed strongly for unification throughout the war [7:196].

Contrary to the Army, the Navy was not united in its view. Although Secretary Knox had reportedly told Secretary of War Stimson that he favored unification and "a single military department", Knox died before he could make his views public [7:191]. His successor, Forrestal, sided with the faction of the Navy opposed to unification. This faction favored improving joint military operations as an alternative to unified operational commands [7:188]. It did not fear competition from the Air Corps for scarce postwar resources, but naturally preferred to have the Army as its only rival. Preservation of the status quo would limit Air Corps competition to an internal Army problem.

Forrestal took control of the Navy just as Congressional hearings on unification were taking place. The War Department had gone on record as favoring a single Department of Defense. Forrestal led the Navy attack on unification with an oblique

movement designed to buy time to organize a better attack. He tentatively accepted unification in principle, but argued forcefully against any major reorganization, while war was in progress. Forrestal proposed postponement of the hearings until further study could be made [7:197].

The Congressional committee accepted Forrestal's recommendation and directed that the JCS forward the results of its Richardson Committee, which was then studying the unification problem. The Richardson Committee relied heavily on extensive interviews of retired and active flag and general officers in the services. In general, a majority of the Army and almost half of the Navy officers interviewed favored unification into a single department, but there was little agreement on the details of implementing such a policy.

The focus of the Richardson Committee inquiry was on the political power of a civilian head of a unified military department, the implications of a unified budget, and the roles and missions issue with respect to aviation. In its report to the JCS in April of 1945, the Richardson Committee recommended a single department of the armed forces. It favored a civilian secretary as head of the department and a military head, who would be Chief of Staff to the President. The Chief of Staff would be Commander of the Armed Forces, but under the Secretary. The report, however, did not specify any of the details of this dual relationship. There would be an Air Force, coequal with the Army and Navy, and an Undersecretary to direct the business side of the department [7:198,199].

The final organizational-type group of players in the controversy were administration officials, who viewed unification as a vehicle for increased civilian control. They favored unification for greater efficiency, but focused on the role that a civilian head would play. In general, they felt that any right of direct access by a military commander to the President was a threat to civilian control. Traditionally, these people had feared the General Staff concept and opposed a single military leader over all of the armed forces. Consequently, they had opposed any operational control for the JCS and favored an arrangement, which placed a civilian service head over three separate military services.

At this point, Forrestal became the major player for those opposed to unification. Since President Truman had already come out on record as favoring the Army proposal, Forrestal had to orchestrate a careful, thorough, counter-attack. He wanted Congress to consider all aspects of national security requirements,

not merely in terms of the fighting fronts, not only at the immediate points of contact with the enemy but also in all other fields which are concerned with national defense - our diplomacy, our industrial organization, our manpower, our national resources, our raw materials, needs from abroad, etc [7:204].

Forrestal then contracted F. Ebberstadt "to make a study of postwar defense organization, including not only the military establishment but other departments as well" [7:204].

Ebberstadt's final report has been criticized more recently for fallacious major assumptions and some of its conclusions;

however, at the time that it was delivered, it was recognized as "the most thoroughly written study of unification available" [7:206]. Ebberstadt and Forrestal were impressive and capable proponents. Although their view and proposals were not fully adopted in the final legislation, they did succeed in preventing the Army proposal from prevailing, despite vigorous support from the President and some members of Congress.

When the hearings reopened in October of 1945, each side, Army and Navy, had fully developed proposals. The Army reintroduced its former proposal, after incorporating findings from the Richardson Committee [7:204].

Forrestal, armed with the Ebberstadt report, attacked the Army plan on each of its basic tenets: that consolidation of the services would provide a gain, that reorganization could be agreed upon in principle prior to working out the details, and that the relationship of the military to other agencies need not be considered [7:205]. Forrestal agreed that coordination of the services was the major problem, but insisted that it was a larger problem than that for which the Army plan allowed. It required "a complete realignment of our governmental organizations to serve our national security in the light of our new world power and position, our new international commitments and risks, and the epochal new scientific discoveries" [7:205].

Forrestal advocated before the committee, the following Ebberstadt study proposals: The defense establishment should

be reorganized into three coordinate services, each with a cabinet rank secretary. Coordination for planning would be accomplished within a statutory JCS. To improve inter-agency coordination, a group of committees were recommended: A National Security Council (NSC), a Central Intelligence Agency (CIA), a National Security Resources Board (NSRB), a Central Research and Development Agency, and a Military Education and Training Board. Forrestal's major thesis was that military coordination had been good during the war. Coordination external to the military was what was lacking. The recommended committees would coordinate foreign with military policy, strategic planning with logistic feasibility and implementation, procurement with logistics, and the myriad of intelligence agencies with each other [7:205].

At the close of these hearings the battle lines were drawn. The Army proposals were on the one side with Presidential support. On the other side were the Navy's more articulate proposals. These lines were drawn in 1945, but reorganization did not appear until 1947. The intervening two years saw proponents of each side in Congress attempt to muster support along parochial lines. Hearings in each house, in each of the standing committees concerned with the issue, were held. The resulting legislation was a victim of compromise. The National Security Act of 1947 was a tentative step in the right direction, rather than a bold initiative to correct recognized management problems.

B. THE NATIONAL SECURITY ACT OF 1947

Congress was very specific in stating the purpose of the 1947 legislation. Its major goal was to provide a comprehensive program for the future security of the U.S. by providing for the establishment of integrated policies and procedures for the departments, agencies, and functions relating to national security. It wanted to establish three, coequal military departments and to provide for their integration into an efficient team of land, naval, and air forces. In doing so, the intent of Congress was not to merge the departments, but to provide authoritative coordination and unified direction under civilian control. Congress also wanted to ensure effective strategic direction of the armed forces [27:496].

The National Security Council (NSC) was charged with coordination of national security and given the function of advising the President with respect to the integration of domestic, foreign, and military policies relating to the national security. The purpose of this function was to enable the military departments and other agencies of the government to cooperate more effectively in matters involving national security. The NSC was to be composed of the President, Secretary of Defense, the three service secretaries, chairman of the National Security Resources Board (NSRB), and any other minor members left to the discretion of the President [27:146].

Aside from such duties as directed by the President, the NSC was specifically tasked by Congress to consider policies on matters of common interest to departments and agencies concerned with national security. It was also to "assess and appraise the objectives, commitments, and risks of the U.S. in relation to our actual and potential military power" [27:497].

The 1947 Act also established the Central Intelligence Agency (CIA), provided for the office and duties of its director and charged the agency with the coordination of intelligence gathering activities [27:498].

The NSRB was established to advise the President concerning the coordination of military, industrial, and civilian mobilization. It was to develop policy for the most effective mobilization in time of war by establishing programs for effective wartime use of the nation's natural and industrial resources. It was to establish a policy to ensure adequate reserves of strategic or critical materials and assist in the strategic relocation of industries, services, government, and economic activities. Most importantly, the NSRB was charged with the maintenance, stabilization and adjustment of the civilian economy in time of war [27:499].

The Congress created, in the 1947 National Security Act, a National Military Establishment. It was to be headed by a cabinet-level, civilian, Secretary of Defense, who was to serve as the principal assistant to the President on all

matters relating to national security. Congress was very careful to ensure that this post be civilian controlled. Former (retired) military officers would not be eligible for this post unless they had left the service and had been members of the civilian community for at least ten years [27:500].

Some specific duties of the Secretary of Defense were enumerated in the Act. He was to establish policy and programs for the National Military Establishment (NME). The Secretary could exercise "general" direction, authority, and control over all departments and agencies within the NME. He was tasked to eliminate unnecessary duplication within his department in the fields of procurement, supply, transportation, storage, health, and research. To accomplish these duties, the Secretary was given the power to supervise and coordinate the preparation of the budget estimates of all the departments and agencies within the NME [27:500].

Along with enumerating his specific duties, the Congress placed specific restrictions on the administrative powers of the Secretary of Defense. It gave the individual service secretaries direct access to the President or to the Director of the Bureau of the Budget with an obligation only to inform the Secretary of Defense in advance. Individual service departments were to be administered as individual executive departments by their respective secretaries. The Secretary of Defense was allowed to use military personnel but was not permitted to establish a military staff [27:500].

The National Security Act established three co-equal military departments, each with its own mission. Each department was headed by a civilian secretary assisted by a senior military officer. The mission for the Department of the Army was to organize, train, and equip primarily for prompt and sustained combat incident to operations on land. The Department of the Navy was tasked with the same mission "incident to operations at sea" [27:501]. The Department of the Air Force mission, naturally, specified operations in the air.

The Department of the Navy was permitted to keep its Marine Corps and Naval aviation. Naval aviation was to include land-based naval air, air transport essential for naval operations, all air weapons, and air techniques involved in the operations and activities of the Navy. Its mission responsibilities were naval reconnaissance, anti-submarine warfare, and protection of shipping. The Navy was permitted to develop aircraft, weapons, tactics, techniques, organizations, and equipment of its naval combat and service elements. The only caveat attached was that matters of joint concern be coordinated between the services [27:502].

The Act separated Army Air Corps units from the Army and established the Department of the Air Force [27:502]. It was a separate co-equal service, with its own Secretary and Chief of Staff. As with the other service departments, the Air Force Chief of Staff was to exercise command over his service and was charged with the duty of "carrying into execution

all lawful orders and directives, which may be transmitted to him" [27:503].

To consider "all matters of broad policy" relating to the armed forces, Congress established the War Council. It was to be composed of the Secretary of Defense, service secretaries, and the service chiefs. Power of decision for the council was vested in the Secretary of Defense [27:504].

The Act embodied statutory authority for the establishment of the Joint Chiefs of Staff (JCS) to be composed of the individual service chiefs and "the Chief of Staff to the Commander in Chief, if there be one" [27:505]. The JCS were to be the principal military advisors to the President and to the Secretary of Defense; and were permitted to establish a joint staff not to exceed 100 officers [27:505].

Subject to the authority of the President and the Secretary of Defense, the JCS were to perform the following functions: (1) to prepare strategic plans and to provide for the strategic direction of the armed forces, (2) to prepare joint logistic plans and assign responsibilities to military services, (3) to establish unified commands in the interest of national security, (4) to formulate policy for joint training and coordinate the education of members of the military forces, (5) to review the major material and personnel requirements of the military forces [27:505].

In order to coordinate other activities, which interfaced with military affairs, the Act established the Munitions Board

and the Research and Development (R&D) Board. The Munitions Board was placed under the Secretary of Defense and given the mission to support strategic and logistic plans prepared by the JCS. The R&D Board was to "advise the Secretary of Defense as to status of scientific research relative to national security, and assist in assuring adequate provisions for the same" [27:506].

The National Security Act of 1947 was not successful in solving the management problems, which existed in the defense establishment during WWII. This is evidenced by the fact that the Act received its first major revision just two years later in 1949. The failures of the Act can be traced to poor implementation and to the incompleteness of the Act itself. In general, Congressional resolution of the unification controversy, culminating in the National Security Act of 1947, was characterized by tentativeness and compromise. The Act was deliberately vague in establishing relative priority among the relationships, that it had created. Clear lines of authority were not delineated and power was not always commensurate with responsibility.

Intelligent criticism of the Act during this period came from two primary sources: a retiring Secretary of Defense Forrestal, and the First Hoover Commission Report. Forrestal's recommendations centered upon strengthening the position of Secretary of Defense. The Hoover Commission's recommendations were more broad in nature. They not only focused on specific

problems within the National Military Establishment, but also on problems applicable to the administration of government in general.

Changes created by the 1947 National Security Act were not tested by war before the Act's revision in 1949. For the most part the services' historic need for wartime reorganization was resolved by the changes, which took place during WWII. Most of these changes, it will be remembered, were internal to each service. They tended to stress decentralization of operational commands, but centralized the service chief's control of overall coordination within his service. Each service chief was given the power to control the operations of his service's traditionally independent departments of bureaus.

According to the Hoover Commission and Forrestal, the 1947 National Security Act failed greatest in its attempt to enhance civilian control over the military. As the first Secretary of Defense, Forrestal, naturally called for a broad clarification of the powers of the Secretary of Defense. He wanted to create the positions of Undersecretary of Defense and Chairman of JCS. Forrestal also advocated elimination of the service secretaries from the NSC and the cabinet [12:234].

The Hoover Commission, headed by a former President, was predominantly composed of distinguished civilians with broad government experience. There can be no doubt that their orientation as a group was toward strong and complete civilian

control of the military establishment. The Commission's stand was made clear in the introduction of its remarks on the National Military Establishment.

The military arm, in its new strength, must be unequivocally under the direction of the executive branch and fully accountable to the President, the Congress, and the people. Not only must we safeguard our democratic traditions against militarism, but insure that military policy is in close accord with national needs and national welfare [12:186].

The Hoover Commission thoroughly reviewed the operations of the National Military Establishment and cited several disturbing trends. There existed continued disharmony within the Department and a general lack of unified planning. Most officials in the Department lacked an understanding of the effect of huge military costs on the national economy. Inter-service rivalries were too great; especially in regard to research and development, the JCS, and the CIA [12:187]. The conclusion of the Commission was that these disturbing trends could be attributed to a statutorily emasculated position of Secretary of Defense.

The lack of central authority in the direction of the National Military Establishment, the rigid statutory structure established under the act, and divided responsibility, have resulted in a failure to assert clear civilian control over the armed forces [12:187].

The Hoover Commission went on to cite many specific problems with the Act, which contributed to the lack of effective civilian control. The Secretary of Defense was only granted by the legislation "general" authority over the service

departments. He could not "hire and fire" subordinates, except for his direct staff. All appointive power not in the hands of the President was vested in the individual service secretaries. In addition, the Secretary's staff was inadequate; he had no authority to reorganize, and the service secretaries had more staff assets for planning and execution. Perhaps the Secretary's greatest limitation was his inadequate powers over budget and expenditures. The service secretaries were given explicit authority to resist the supervision of the Secretary of Defense in budgeting matters by appealing directly to the President or his Director of the Budget. Finally, the individual service secretaries were permitted to sit co-equal with the Secretary of Defense on the highest policy-making boards, the NSC and Cabinet [12:189].

To resolve the problems created by the weakness of the National Security Act, the Hoover Commission proposed the following specific changes and additions: (1) that full authority and accountability for the "Defense Department" be centered in the Office of the Secretary of Defense, (2) that all statutory authority presently vested in the service departments be granted to the Secretary of Defense (the Secretary could then delegate authority as he saw fit), (3) that the Secretary of Defense be granted full authority to establish policies and programs, (4) that individual service secretaries be denied any right of appeal directly to the President, (5) that administration of the services be subject to the full direction and authority of the Secretary of Defense,

(6) that a Chairman of the JCS be appointed by the Secretary of Defense, with Presidential consent, to represent and report to the Secretary of Defense, (7) that full and final authority over both the preparation and the execution of the military budget be vested in the Secretary of Defense, (8) that full authority for the procurement and the management of supplies be given to the Secretary of Defense, and (9) that military education, training, recruitment, promotions and transfers among the services be placed under the central direction of the Secretary of Defense [12:194].

According to the Hoover Commission, the intent of the 1947 legislation was to have policy guidance flow from the NSC. This had not occurred, stated the Commission, because both the NSC and JCS had abdicated their responsibilities, forcing the services to fill the resulting void.

Instead of policy determining strategy, and strategy in turn determining its military implementation in terms of size and nature of the military establishment, the tendency is in the reverse direction. The unilateral aims and policies of the military services are combining to make the strategy they are supposed to serve, and the strategy is tending to make the national policy [7:241].

The Hoover Commission called for fuller participation of the NSC in policy making. The Commission warned that NSC effectiveness was directly related to Presidential support. It criticized President Truman for his lack of support of the NSC. After its first meeting, the President had declined to attend any further deliberations. The fundamental problem

was a disagreement between the President and the Congress as to the purpose of the body. The Congress had intended to create a corporate body, which would utilize consensus decision-making to formulate broad national security policy. The President viewed and utilized the NSC as just another group of cabinet-level advisors.

The Hoover Commission had not been founded to only study the administration and management of the defense function. Their mission was to study the entire spectrum of administration of government at the federal level. Since the Commission was predominantly made up of business oriented people, it is not unreasonable to expect that their study concentrated on financial management areas. Perhaps the Commission's stiffest criticism, for the entire government, and particularly the defense establishment, was directed toward budgeting and accounting control.

In general, the Commission found that budgeting and accounting controls were lacking throughout the federal government. The Government Corporation Control Act of 1945 had put incorporated government business enterprises on a sound financial footing. It required them to have business-type budgets and accounts, which were to be audited by the GAO [17:50]. However, the Hoover Commission found that the absence of accurate and usable cost data was a major defect. No one could tell what costs should be associated with a particular program.

With specific reference to the defense establishment and budgeting and accounting controls, the Commission stated:

In the period ahead when national security will demand a large military budget, this time honored device for subordinating the military to civilian control (control of purse strings) will be ineffective. The remedy must be sought through organization of the executive branch to establish firm lines of authority and accountability [12:190].

In addition to those budgetary recommendations that the Commission had made to improve civilian control over the military, the Hoover Commission recommended performance budgeting. The Secretary of Defense would manage a performance type budgeting system, which emphasized defense objectives and functions. Accounts and the accumulation of costs would be coexistent with responsibility so that performance could be monitored. Also the military would be required to maintain a complete, accurate, inventory system. With these control devices, Congress, through a single official, could assure that the budget conformed with national policy [12:191].

The Hoover Commission did not really delve into some other management problems such as military control within the military, control over procurement, or the operations of the JCS. These three areas remained relatively unchanged from WWII. The National Security Act had merely made the JCS a statutory body. Operations of the JCS remained unchanged. The Hoover Commission's only recommendation concerned appointing a Chairman, as already noted. Neither the 1947 Act nor the Hoover Commission affected internal military control or procurement.

In summary, the Hoover Commission felt that,

Recent reorganization efforts have been focused on improved administration of the armed forces, but have not attained significant results in improving their business activities. Changes (by this Commission) have been designed to attain unity, to increase civilian control, and thereby promote economy and efficiency [17:199].

C. NATIONAL SECURITY ACT AMENDMENTS OF 1949

Legislation, enacted in 1949 to revise the National Security Act, was passed by Congress for the express purpose of "reorganizing fiscal management in the National Military Establishment to promote economy and efficiency" [28:578]. The Congress relied heavily on the recommendations of the Hoover Commission, implementing many of them with little or no variation.

The National Security Act Amendments of 1949 focused on improving management within the National Military Establishment by strengthening two traditional management-problem areas. The Amendments sought to strengthen civilian control over the military by eliminating former weaknesses in the Secretary of Defense's position. They also improved management control by implementing new budget procedures.

The Amendments primarily dealt with the relationships surrounding the Office of Secretary of Defense. First, the Amendments eliminated the individual service departments as cabinet-level activities. The National Military Establishment was formally redesignated the Department of Defense (DoD). In doing so, the Congress made the DoD the only military,

cabinet-level, executive department. The Army, Navy, and Air Force, were reduced to military departments, vice their former status as executive departments. Now the individual service secretaries would no longer be able to rival the Secretary of Defense as members of the President's cabinet. The Secretary of Defense's position was further strengthened by the removal of the individual service secretaries from the NSC [28:579].

The Amendments established the Secretary of Defense as the principal assistant to the President in all matters relating to DoD. He was given full authority, direction, and control over the DoD. The individual service departments were still to be separately administered; but now such administration was placed under the direction, authority and control of the Secretary of Defense. Direct access of the service secretaries to the President was eliminated. The service secretaries and members of the JCS were still permitted, however, to testify of their own volition to Congress, after first informing the Secretary of Defense [28:580]. The staff for the Secretary of Defense was strengthened, granting him a Deputy, who was to be senior to the service secretaries. Provision was also made for three additional Assistant Secretaries (see Fig. 1) [28:581].

The Amendments brought both the Munitions and Research and Development Boards into the DoD and under the full control of the Department of Defense [28:583,584]. They also strengthened the JCS, but not vis-a-vis the Secretary of

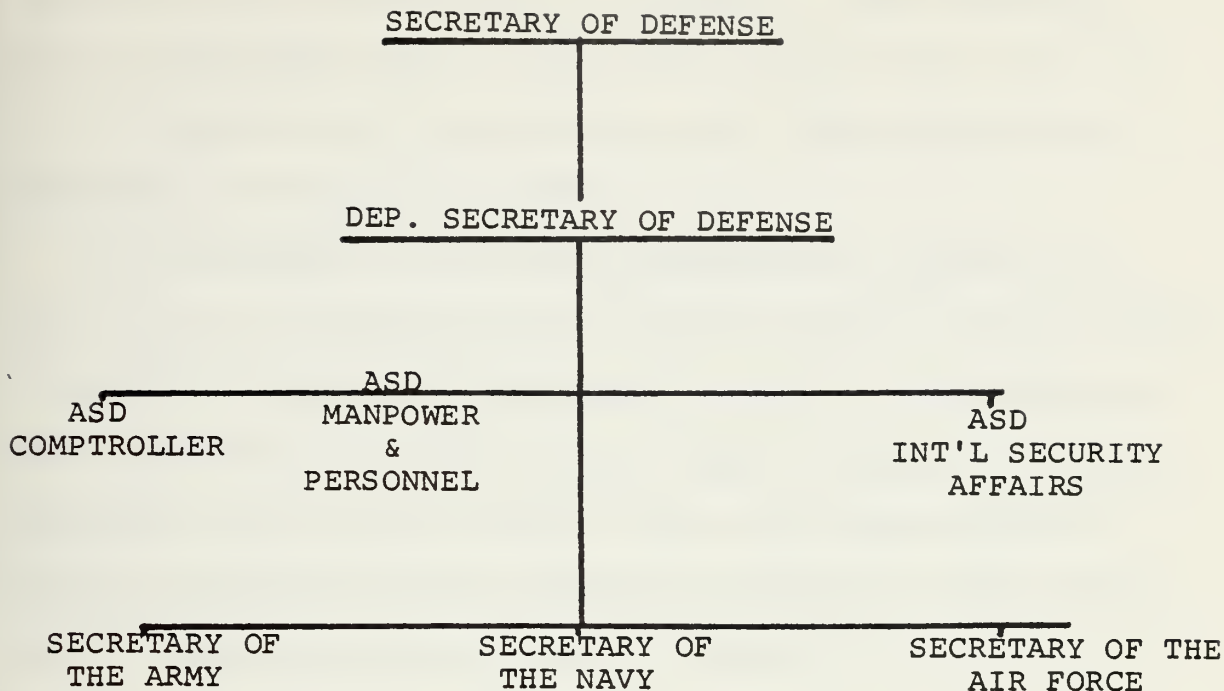


Figure 1. 1949 Office of the Secretary of Defense

Defense. The JCS was given a Chairman to be the senior uniformed military officer of the armed services. He held no vote in that body's deliberations nor was he to exercise any command. The Chairman was to preside over the JCS, providing agenda and bringing issues which could not be resolved to the attention of the President [28:581].

The second area, with which the Amendments were primarily concerned, was that of budgeting and financial management. The Amendments stipulated that one of the new Assistant Secretaries be designated Comptroller. He would be responsible to the Secretary of Defense for the overall financial management system within the DoD. This reflected a significant new

capability for the Secretary of Defense. Each individual service department was to also have a Comptroller, who was to be responsive to direction from the Comptroller of the Department of Defense [28:585].

The Amendments instituted a performance budgeting concept "so as to account for, and report the cost of performance of readily identifiable functional programs and activities, with segregation of operating and capital programs" [28:587]. Management and working capital funds were established in order to operate military industrial/commercial type activities on sound business principles [28:587].

D. SUMMARY

The unification controversy has been presented in a summarized form, emphasizing only those elements of the controversy relevant to the broader topic of development of management policy within the Department of Defense. The opposing views involved in the controversy were rooted in the divergent developments of administration in the War and Navy departments over the previous century. The controversy raged openly in Congress for a full two years before legislation was developed. It should be obvious that one doctrine could not simultaneously please the divergent interest involved.

The National Security Act of 1947 was a piecemeal approach to settling the unification controversy. Because it was a compromise piece of legislation, it was riddled with weakness and served only as a tentative step in the direction toward

unification. The NSC was given broad guidance to serve as the interface between national and military policy; but it was given little or no authority. Its only legitimate authority stemmed from the President's membership; but he was free to choose to ignore the NSC.

The Secretary of Defense was made responsible for a unified military establishment; however, he was not given authority which was commensurate with this responsibility. Exercising only "general" direction, authority, and control, the Secretary of Defense could be constantly outflanked by aggressive service secretaries. They were granted membership to the highest councils, cabinet-level authority, and an avenue of redress exclusive of the Secretary of Defense.

The 1949 Amendments resolved most of these statutory limitations to the power of the Secretary of Defense. But while conferring upon him ultimate de jure control, de facto control would elude the Office of Secretary of Defense for years to come. The National Security Act as amended left untouched some of the other managerial problems, which existed in the Department of Defense at this time.

One of the highlights of the period was the Hoover Commission Report on governmental operations. It began a trend toward independent, in-depth study of Defense Department management problems from a business perspective. Unfortunately, the Amendments of 1949 demonstrated a trend of ignoring the results of such studies. The Amendments incorporated many

parts of the study into the National Security Act, especially with reference to the Secretary of Defense. However, little was accomplished toward improving the operations of the business functions within the Department of Defense.

IV. DEVELOPMENT DURING THE 1950S

During the decade from 1950 to 1959, two major studies on the organization of the Department of Defense were conducted: The Rockefeller Committee Report in 1952 and the Second Hoover Commission Report of 1956. Congress enacted two major reorganization plans based on these studies. The decade also saw the enactment of two major pieces of legislation changing the accounting and budgeting systems to be used by the Department of Defense.

The provisions of each of these events will be presented in the first part of this chapter. Then the impact of these provisions on the major managerial problems within the Department of Defense will be discussed.

A. PROVISIONS OF THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

In 1950 the Congress enacted legislation which was to correct some of the deficiencies cited by the First Hoover Commission. The express purpose of the Act was "to authorize the President to determine the form of the national budget and of departmental estimates, to modernize and simplify governmental accounting and auditing methods and procedures" [29:832]. Specifically, the President was tasked to develop programs for improved gathering, compiling, analyzing, publishing, and disseminating statistical information. Government

owned corporations were to begin developing annual, business-type budgets.

The second part of the legislation, known as the Accounting and Auditing Act of 1950, recognized the need for an internal audit function within the federal government. This part of the Act began the development of a comprehensive, coordinated system of accounting controls to improve both judiciary and management accounting. The Comptroller General, as an agent of Congress, was given primary responsibility for auditing [29:834,835].

After consultation with the Secretary of the Treasury and the Director of the Bureau of the Budget, the Comptroller General was to prescribe the principles, standards, and requirements for accounting to be observed by each agency. The prescribed requirements were to integrate accounting systems throughout the government, promote full disclosure of financial operations for each executive agency and the government as a whole, and provide the financial information necessary for the Congress and the President [29:835].

The General Auditing Office (GAO), Congress' own auditing arm, was instructed to aid the executive agencies in the development of their accounting systems. All accounting systems so developed had to be submitted to the Comptroller General for approval. The GAO was to perform the independent auditing function "on a regular basis," and report to Congress. In its independent audit of each executive, legislative, and

judicial agency, the GAO was to supplement the principles and rules, established by the Comptroller General, with "generally accepted principles of auditing." Its audits were to consider the effectiveness of accounting organizations and systems, internal audit and controls, and related administrative procedures [29:837].

The Act required each executive agency head to develop an accounting system, which would perform the following: (1) full disclosure of the financial results of agency activities, (2) adequate financial information for management needs, (3) effective control over and accountability for all funds, property and other assets, including appropriate internal audit, (4) reliable accounting results to prepare and support budget requests and controlling and executing budgets, and (5) suitable systems integration with the Department of the Treasury, which was to develop the accounting controls for the disbursement function [29:836].

B. RECOMMENDATIONS OF THE ROCKEFELLER COMMITTEE REPORT ON DOD REORGANIZATION

In 1952 the Rockefeller Committee was established by President Eisenhower to study the Department of Defense as part of the Republican administration's transition to power. The Committee was to concentrate its attention on the basic organization and procedures of the DoD, especially with respect to the Secretary of Defense and his relationship with his principle civilian and military assistants. The

Committee's interpretation of its objectives is found in the introduction to its recommendations.

The committee believes that the form of organization recommended in this report will establish a framework within which the DoD can operate effectively to attain the broad objectives toward which the Secretary of Defense and the President are working--to provide the nation with maximum security at minimum cost, and without danger to our free institutions [23:36].

The Rockefeller Committee Report began with an assessment of the National Security Act. The Act, said the Committee, provided through the Secretary of Defense, a central organization for the exercise of direction, authority, and control over the entire DoD. The Act provided a centralized structure for the establishment of policies aimed at assisting the President in carrying out his Commander in Chief responsibilities. At the same time, it maintained a decentralized organization for administration through the three military departments.

The Committee recommended detailed improvements to the legislation to obtain the following objectives: (1) Establish clear and unmistakable lines of authority and responsibility had to be developed within the DoD. (2) The Secretary of Defense had to clarify individual service roles and missions. (3) Force planning had to be based on the most effective use of our modern scientific and industrial resources. (4) The DoD had to be organized so as to effect maximum economies without injuring military strength and its necessary productive support [23:37,38].

The Committee went on to make specific recommendations with regard to the roles of the service secretaries, the JCS, the incorporation of various committee functions into the Office of the Secretary of Defense (OSD), and the establishment of additional Assistant Secretary of Defense positions.

With respect to the individual service secretaries, the Rockefeller Committee took a position counter to that of Forrestal. It stated that there could be no distinction between military affairs and civilian affairs. Service secretaries should have control of their departments in all aspects, military and civilian alike. The military chief of each service was to be completely subject to the discretion of civilian authority; and, except in emergencies, all orders would always go through the channels of the civilian secretary [23:39,40].

The Joint Chiefs were encouraged by the committee to rise above the parochial views of their respective services. The Key West Agreement, which was signed in 1948 by the service chiefs to settle roles and missions disagreements, needed extensive revision [23:40]. The JCS had been established as an advisory group and the Committee felt that all vestiges of the command function needed to be removed.

The Committee also recommended actions which would open up decision making in the JCS to civilian leaders. The Secretary of Defense and his principles were encouraged to

selectively attend JCS deliberations. It recommended that the JCS provide the President and Secretary of Defense with the full reasoning behind even its unanimous decisions. The committee also encouraged the Departments of Defense and State to cooperate closely on current operational problems, including full participation by JCS planners. The purpose of these recommendations was to bring into JCS planning at all levels a variety of points of view, including those based on scientific and technical background and knowledge [23: 41,42].

The Rockefeller Committee also tacitly recognized the problems created by military officers who wore two hats: one as an individual service chief and the other as a member of the JCS. Their principal responsibility was to the President and to the Secretary of Defense. Their planning and advisory work as members of the JCS constituted their primary duty. In this regard, the chiefs were encouraged to delegate many of their less important duties, including supervision of the day-to-day operations of their individual services [23:43].

"As a general principle, the Committee believes that boards and agencies should not be set up by statute in the OSD, and the Secretary of Defense should be left free to adjust the assignment of staff functions" [23:49]. The committee recommended the abolition of the Munitions Board and the Research and Development Board. They had previously been eliminated

as independent institutions by the 1949 Amendments and placed in the OSD. The Rockefeller Committee's recommendations would complete this evolution, making these functions a staff duty under the Secretary.

These new functions would be coordinated by a battery of new Assistant Secretary positions, increasing the size and range of the staff of the Secretary of Defense. The Commission emphasized the staff function of these assistants.

Assistant Secretaries should not be in the direct line of administrative authority between the Secretary of Defense and the military departments. They should assist in policy development, prescribing standards and providing the Secretary of Defense with information [23:50].

In addition to the existing contingent of three Assistant Secretaries of Defense (Comptroller, International Security Affairs, Manpower and Personnel), the Committee recommended seven more positions at that level. An Assistant Secretary for Research and Development would replace the old R&D Board, "which had been hampered in carrying out its functions by the rigidity of its membership and the complicated administrative mechanism inherent in the board-type structure" [23:50]. To perform the duties between R&D and the quantity production of weapons, the Committee proposed an Assistant Secretary for Applications Engineering. He would make recommendations concerning new developments as to their suitability for purposes intended, reliability, simplicity, and economy of production; especially with respect to their suitability for production by existing machine tools and their ability to

fit into a complete weapon system [23:51]. The Assistant Secretary for Applications Engineering would head a Weapon Systems Evaluation Group, which would include military members and a staff of outstanding scientists and engineers. The Group would study present and future weapon systems, their relations to strategy and tactics, comparative effectiveness and costs. It would rely for its data on operations research and operations evaluations groups attached to the three military departments [23:51].

An Assistant Secretary for Supply and Logistics would be responsible for formulation of overall policy and for the supervision and review of programs in the fields of procurement, production planning, distribution, transportation, stockpiling, and warehousing. He would assume many of the functions of the Munitions Board: (1) Appraising the feasibility of JCS plans in terms of the availability of materials- end items, components, and supporting services, (2) Developing systems for production programming, production scheduling, and expediting, (3) Developing recommendations on requirements for materials that should be stockpiled to meet military needs, and (4) Developing policies and programs for the maintenance of industrial facilities required for the production of military end items and components in the event of mobilization [23:51,52].

The Committee recommended additional Assistant Secretaries for Properties and Installations, Legislative Affairs, Health and Medical, and as General Counsel.

C. DEPARTMENT OF DEFENSE REORGANIZATION OF 1953

In 1953, acting on the recommendations of the Rockefeller Committee Report, the Congress passed legislation implementing a major Reorganization Plan. It abolished the Munitions Board, R&D Board, and the Defense Supply Agency. The functions of those institutions were transferred to the staff of the Secretary of Defense, which was increased by the recommended seven Assistant Secretarial positions (Fig. 2).

The Reorganization Plan increased the scope of the office of Chairman, JCS by giving him the authority to manage the Joint Staff. The members and Director of the Joint Staff and their tenures would be subject to the approval of the Secretary of Defense and the Chairman, JCS [30:638].

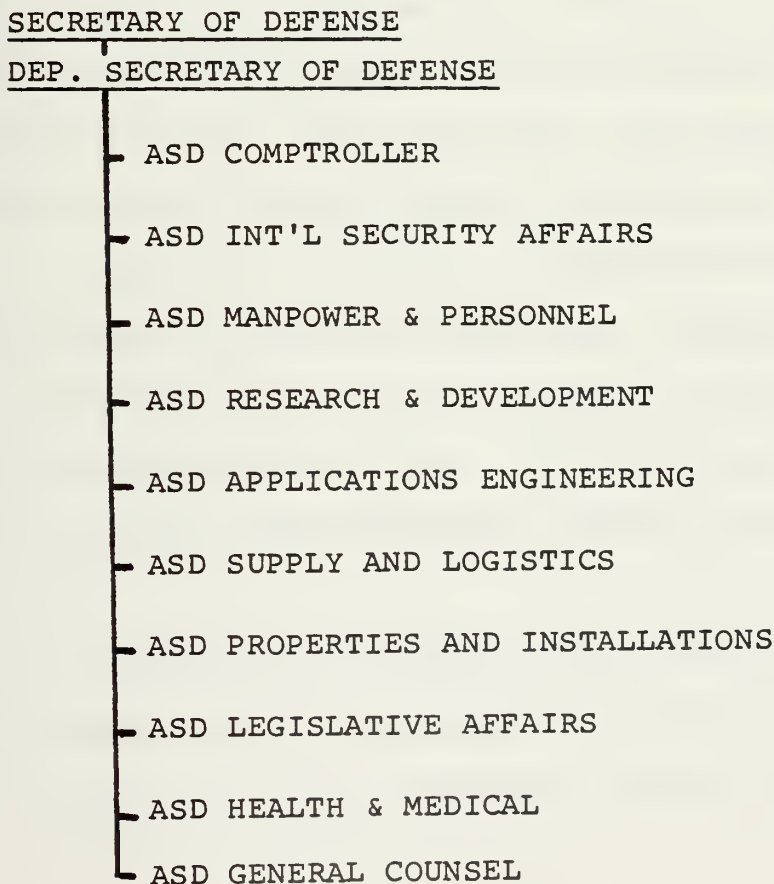


Figure 2. Assistant Secretaries of Defense, 1953.

D. RECOMMENDATIONS OF THE SECOND HOOVER COMMISSION

The Second Hoover Commission, like the First, studied the entire spectrum of administration in the federal government. Its conclusions, presented in 1955, highlighted managerial problems, especially in the area of budgeting, which were applicable to all federal departments and agencies. The Commission also made some specific recommendations with reference to the Department of Defense.

The Hoover Commission reappraised the entire budgeting process, including those changes implemented by the 1950 Budget and Accounting Procedures Act. It cited major problems in both the accounting and budgeting areas.

Performance budgeting, as implemented in 1950, had not been successful. Congress had continually expressed dissatisfaction with the program classifications and the accounting support for them. The Commission found that past expenditures were the driving factor in determining the efficacy of new requests. The merits of programs themselves were not reappraised or evaluated each year. Perhaps most importantly, the Commission found that the Bureau of the Budget made no use of the performance data. It relied more on the old objects of expenditure classifications, such as salaries, rents, etc. [17:52].

The Commission recommended that the Bureau of the Budget be strengthened with increased personnel assets, enabling it to concentrate on the management aspect of performance

budgeting. Bureau of the Budget personnel should be placed in each agency and the Bureau should make an annual review of all agencies for the President in terms of their programs and functions. The Hoover Commission made other recommendations to eliminate some of the weaknesses that it had found in the implementation of performance budgeting. It recommended a change in programs so that responsibility for performance could be fixed and variances analyzed. Also the accumulation of cost accounting data needed to be improved so that a comparison could be made of the relative economy and efficiency of similar programs in different agencies [17:53, 54].

Another budgeting problem, cited by the Hoover Commission, was that the federal budget was founded on estimates of obligations rather than actual costs. Obligations incurred during the year, however, did not necessarily have any relation to costs incurred during the year. This system failed to take into account the inventories and the working capital available for consumption during the budget year [17:54]. It also neglected to include materials which had become available out of prior years obligations. Planned operations could not be related to past or projected costs. To rectify this situation, the Hoover Commission recommended accrual accounting. It advised Congress to change the appropriations structure from an obligation basis to an accrued-expenditures basis [17:55].

To support its recommended budgeting changes, the Commission made many recommendations for improved accounting. The Commission wanted to change the present allotment system because it placed emphasis on living within allotments, rather than the usual management criteria of performance in terms of cost. It felt that a proper analysis of performance should include costs to the government, such as depreciation, rent, interest, taxes, and payroll costs. Ignorance of these items gave a distorted picture of performance, which often resulted in good money being thrown after bad [17:55].

The Second Hoover Commission also made a thorough study of management operations within the Department of Defense. According to the Commission, three general problems existed in the Department of Defense. (1) The Secretary of Defense lacked effective control over the JCS. (2) This same lack of control extended over the operations of the three services. (3) There was also a general lack of machinery for the conduct of business operations [17:199]. The Commission's report focused on this latter problem area.

Outmoded systems of administration, service tradition and parochial biases, and static, archaic laws were responsible for DoD shortcomings in management functions [17:59]. The Commission made a variety of recommendations including: (1) an improved organizational framework for managerial decision-making, (2) an integrated, common supply and service activity, (3) an improvement in personnel policies, focusing on increased

tenure, motivation, and skill for both military and civilian employees, and (4) an improved financial control system throughout all levels of the armed services [17:260].

The Commission offered many specific solutions to select business problems within the Defense Department. It cited a general lack of knowledge as to what the department owned, owed, or how it used its resources. The current system put management emphasis on consuming all of one's funds. This was because the allotments for one year were used as an indication of the amounts required for succeeding years. The Committee recommended the development of a strong internal auditing function to supplement the efforts of GAO [17:62].

Another problem area involved the promotion of economy, efficiency, and improved service in the transaction of the public business. The root of this problem was the DoD's competition with the private sector in various business enterprises. The Commission identified forty-seven types of such enterprises, which had long outlived their original justifications. Their capacity for perpetuation even after their original purpose had ended was due to Congressional interests, which resisted termination, and the military perception of such services as compensation. The armed forces had a score of justifications for such enterprises but none were defensible from a business perspective. Usually, government competition was always unfair competition because the hidden costs in taxes, capitalization expenses, interest,

depreciation, and personnel costs were not considered [17:156]. The Committee recommended divestment of the most abusive enterprises such as commissaries, exchanges, bakeries, meat cutting plants, and laundry and dry cleaning facilities [17:160].

The coordination of common supply functions under the existing Defense Department organization was impossible. The Committee recommended that "Congress should enact legislation establishing a separate civilian-managed agency, reporting to the Secretary of Defense, to administer common supply and service activities" [17:266]. The benefits of such an organization would be to obviate interservice rivalries, to have a staff of specialists, and to operate efficiently like a commercial enterprise. Such an organization would be quickly expandable in wartime without drastic reorganization, and would remove commercial-type operations from the military departments. This would free uniformed personnel for duty in the line functions.

Changes were also necessary for the overall improvement of management personnel qualifications. Steps needed to be taken, which would attract the ablest of administrators as Presidential appointees. The Committee recommended increasing salaries and relaxing conflict-of-interest laws. It also recommended improved career opportunities for specialized personnel in support activities, including top-job availability for career civil servants, and civilian opportunity for advanced training [17:268].

E. PROVISIONS OF THE 1956 ACCRUAL ACCOUNTING LEGISLATION

In 1956 Congress passed legislation which acted on the recommendations of the Second Hoover Commission. The purpose of the legislation was "to approve governmental budgeting and accounting methods and procedures" [31:781]. The legislation amended the Budget and Accounting Act of 1921 to require that all future requests for appropriations be developed from cost-based budgets. It amended the Accounting Procedures Act of 1950, requiring each agency head to take the following actions: (1) develop consistency in accounting and in budget classifications for performance budgets, (2) achieve synchronization between accounting, budget classifications and organizational structure, (3) support future budget justifications with information on performance and program costs by organizational units [31:782].

The 1956 Public Law for Accrual Accounting also provided that each agency head "cause the accounts of each agency to be maintained on an accrued basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets" [31:783].

F. PROVISIONS OF THE DOD REORGANIZATION ACT OF 1958

In 1958 the Congress enacted legislation "to promote the national defense by providing for reorganization of the Department of Defense" [32:514]. The specific intent of Congress was "to provide for the establishment of unified or specified

commands and clear lines of command for them" [32:514]. Congress also wanted "to eliminate unnecessary duplication on the DoD, particularly in the field of research and engineering, by vesting its overall direction and control in the Secretary of Defense" [32:514].

The Congress sought to obtain its objectives by again strengthening the authority, direction, and control of the Secretary of Defense. It gave the Secretary full authority to transfer, reassign, abolish, or consolidate functions in pursuit of a more effective, efficient, or economical organization. The Secretary of Defense was given the authority to assign, to one or more military departments, the development and operational use of new weapons or weapons systems. He was also permitted to consolidate supply and service activities common to more than one military department [32:514,515].

The legislation also clarified the roles and authorities of the Assistant Secretaries. Their ability to promulgate directives was limited to only those situations in which specific authority had been issued in writing. This restriction was matched by the caveat that full cooperation was expected from the service secretary staffs [32:516].

The number of individual service Assistant Secretaries was reduced to three each. The Act also gave the Secretary of Defense a Director for Research and Engineering. He was to be the principal advisor to the Secretary of Defense on scientific and technical matters and to supervise all research

and engineering activities in the Department of Defense. The Secretary of Defense was also given authority to contract in the civilian sector for basic and applied research and development.

The Reorganization Act instituted changes which affected the JCS. The Chairman of the JCS was given the authority of a full, voting member. The Act approached the problems created by the fact that JCS members were also military service chiefs. It encouraged them to delegate their service chief responsibilities to their Vice Chiefs. Congress was careful to restrict the JCS from command authority. Unified combatant commands were made responsible to the President and to the Secretary of Defense through the JCS. Missions for such commands were to be assigned to them by the Secretary of Defense with the approval of the President.

G. ASSESSMENT OF MANAGEMENT PROBLEM AREAS DURING 1950S

Throughout the decade of the 1950's, the internal organization of the military departments remained basically unchanged from that of WWII. The major legislation, which altered the structure of the Department of Defense, did not change the command relationships within military departments. Even the major independent studies of the decade, both the Rockefeller and the Second Hoover Commission reports, did not assail the internal organizations of the military departments.

Although all three military departments were involved in the Korean Conflict during this decade, there was no need

for the traditional scramble to reorganize. The present military organization, combat tested in WWII, was capable of handling this new challenge. The Korean Conflict created no new internal problems for the military departments; in fact, it tended to relieve th peacetime pressures. The general military expansion brought on by the war, eased the interservice frictions which accompanied budgetary retrenchment.

Improvement in the civilian control of the military was one of the major functions of reorganizational legislation passed in the 1950's. This was done both by enhancing the power and authority of the Secretary of Defense and improving budgetary controls.

The Rockefeller Committee had recommended that the Secretary of Defense be given free control over his entire staff by eliminating statutory, independent boards from within the Department. It also wanted to increase the Secretary's staff by seven Assistant Secretaries. Both of these recommendations were instituted by Congress in the Reorganization Act of 1953. Congress further consolidated the power of the Secretary of Defense in 1958. He was given full authority to alter any existing non-combatant functions as well as staff relationships in order to better control the operations of his department. The Secretary was also given full authority to determine service assignments for the development of new weapon systems. This function would become very important in the years to follow, when complex weapon systems would become the biggest line items on defense budgets.

The other major management area to which the 1950's contributed most heavily was that of budgetary controls. Both major studies of the decade contained many recommendations for improving financial management in the Department of Defense. There were also two major legislative efforts dealing solely with budgetary and accounting controls. They are particularly noteworthy because they focused on instituting procedures, which had been proved successful in business operations. In fact, these procedures had already become generally accepted standards in their fields.

An Assistant Secretary (Comptroller) had been instituted with the National Security Act Amendments of 1949. From the inception of the office until 1959 it was occupied by one man. W. J. McNeil. He was a strong individual and carried the responsibilities of the office as far as possible. McNeil's only major problem was that budget decisions often had to be made before strategic plans were drawn. The development of strategic plans should have always preceded budgetary decisions in support of those plans [7:307].

Although the legislation of the 1950's provided no relief to this problem, McNeil was aided by several improved accounting and budgetary provisions. Acting on recommendations from both Hoover Commissions, Congress initiated the Budget and Accounting Procedures Act of 1950, and the Accrual Accounting Legislation of 1956. The first provided the Secretary of Defense and his Comptroller with an internal audit function

and integrated accounting controls for financial and management accounting. The latter piece of legislation implemented improved cost classifications for performance budgets, responsibility cost accumulation, and budget projections developed by accrued cost based information.

The innovations implemented by these Acts were progressive in that they recognized the need within DoD for accurate accounting information to support managerial decisions. Heretofore, the focus of accounting in DoD had been on outside reporting requirements. The importance of this step can not be underestimated because it portends future developments in cost-effectiveness analysis, which was to become a controversial issue in the 1960's.

Unfortunately, the legislation of the 1950's is also notable for what it omitted. The Hoover Commissions had recommended everything that had been enacted, but also much more. According to the Second Commission, many additional innovations were needed in order to put DoD decision-making on a sound managerial foundation. Ignored were recommendations by the Commission to measure an activity's performance in terms of actual costs. Performance continued to be measured by an organization's ability to consume its allotted appropriations. Likewise, the very real costs of doing business, such as depreciation, taxes, capitalization expenses, and personnel costs continued to be disregarded.

As already indicated, the major improvement within DoD in the field of procurement was the Secretary of Defense's

authority over the development of new weapons systems. He was also given full authority by the Reorganization Act of 1958 to consolidate supply and service activities common to more than one military department. The provisions for Assistant Secretaries in both Research and Development and Applications Engineering improved the ability of the Secretary of Defense to control procurement at the Department level.

One criticism of committee studies, such as the Rockefeller Committee, is that "they are as much the accommodation of a diverse group of men as they are a reasoned explanation of their agreed views" [7:289]. The consensus approach toward improving the JCS in the 1950's was to enhance integration by incrementally increasing the powers of the Chairman and the structure and functions of the Joint Staff.

During the decade, a latent problem within the JCS began to manifest itself. In 1950 overall budget projections and the cut of appropriations for a carrier, were perceived as a threat by Naval officers. The CNO, Adm. L. A. Denfeld, tried to bridge the gap between Secretary of Defense Johnson and the Navy. His position became untenable, however, as Adm. A. W. Radford became the principal spokesman for the Navy. Finally, Adm. Denfeld was forced to take sides and subsequently was fired by the Secretary of Defense [7:247].

This incident forced the Secretary of Defense to realize that the JCS was an institution, "which would break down before it could be opened up to operate beyond the bounds of interest

representative negotiations" [7:247]. The problem stemmed from the fact that members of the JCS, as individual service chiefs, were forced to play conflicting roles. Products of organizations with strong parochial interests, they were forced to simultaneously administer those organizations and convene to produce nonpartisan strategy.

Legislation of the 1950's marked a continuation of the hope by Congress, that marginal changes in the JCS would produce the integrated policies desired. Congress only tacitly recognized this problem by encouraging the chiefs to give primary importance to their JCS duties and by authorizing a full delegation of service responsibilities to their Vice Chiefs.

The 1950's saw an increase in the internal conflict between military departments over service roles and missions. Many of the problems were historic in nature and carried over from the piecemeal, evolutionary changes of WWII. Although not new, these conflicts were now in a new organization, the Department of Defense. As usual, a catalyst for this renewed conflict was the budgetary retrenchment which followed each war. The competition for scarce resources only increased the rate with which the individual services cast covetous eyes at each other's missions. This would become an even more important problem since more and more of the budget would be devoted to high cost technology for new strategic missions.

The 1947 National Security Act stipulated only primary mission functions for each of the services. The Army, Navy, and Air Force received missions for the conduct of war on land, sea, and air, respectively. The Navy was permitted to keep its naval aviation units and Marine Corps. Secondary mission functions could overlap service boundaries but could never serve as a justification for existence. For example, support of sea operations, not the need for strategic bombing capabilities, justified the Naval maintenance of an air arm. Congress made no other distinctions than this throughout the decade. Thus each service competed furiously for scarce resources to complete missions which overlapped service boundaries.

Joint operations represented another area which was relatively unaltered by legislation of the 1950's. Even the Korean Conflict did not serve as a major catalyst for improvement. "Joint operations of the Korean War caused no major disputes among the services for none of them saw Korea as the kind of war for which it existed to fight" [7:250]. In the Korean Conflict field forces were directed by the JCS in consultation with the Department of State. The JCS prepared directives for the Commander in Chief, Far East and cleared them with the State Department daily. The Secretary of Defense then took them to the President, who met daily with the Chairman of the JCS. Only occasionally was the NSC consulted for further approval [7:248].

The Reorganization Act of 1958 did specify that unified combatant commands be responsible to the President and to the Secretary of Defense. Missions were assigned by the Secretary with the President's approval. The services were held responsible for maintaining their individual units involved in unified commands and the JCS was restricted from exercising any command authority.

Another management area with great future importance was control over research and development. In this area Congress took decisive action. Full control over research and development within the Department of Defense was vested in the Office of Secretary of Defense. Although the authority and staff assets for control of R&D were made available, fine tuning of the management systems was left to evolve in the 1960's and the 1970's.

Legislation in the 1950's, which strengthened the position of the Secretary of Defense with respect to the individual services, also created problems of internal control within the Department. The 1953 Reorganization Act increased the Secretary's span-of-control from three to ten Assistant Secretaries. A major goal of the legislation was to establish one clear command channel from the Secretary of Defense through the service secretaries. The success of the system implemented depended on a delicate balance between line and staff authorities. This put the Assistance Secretaries in a particular quandry. How were they to exercise authority in

their areas of responsibility if they were not permitted to exercise line authority? Congress made a tentative attempt to solve this problem in 1958 by allowing the Secretary of Defense to delegate in writing specific line authority for select Assistant Secretaries.

The reorganizations of the decade saw an expansion of Assistant Secretarial posts from three in 1950 to nine by 1959. Four of the posts had clearly limited functions. These were the Assistant Secretaries for Legislative and Public Affairs, Health and Medicine, Manpower and Personnel, and the General Counsel. A Comptroller was given powerful and flexible tools for financial management. Political, economic, and foreign relations came under the purview of the Assistant Secretary for International Security Affairs. Supervision of material support activities for the services was shared by two Assistant Secretaries: one for Properties and Installations and the other for Supply and Logistics [7:304].

The division of the research and development field in 1953 between R&D and Applications Engineering never worked. Although in private industry production invariably awaits completion of the development phase, this does not occur in weapon systems. There is overlap; design and production are initiated before development is complete. In 1958 both positions were merged and the new post of Assistant Secretary for Research and Engineering created (Fig. 3) [7:304].

The integration of foreign and military policy was improved during the latter part of the 1950's. The NSC,

SECRETARY OF DEFENSE

DEP. SECRETARY OF DEFENSE

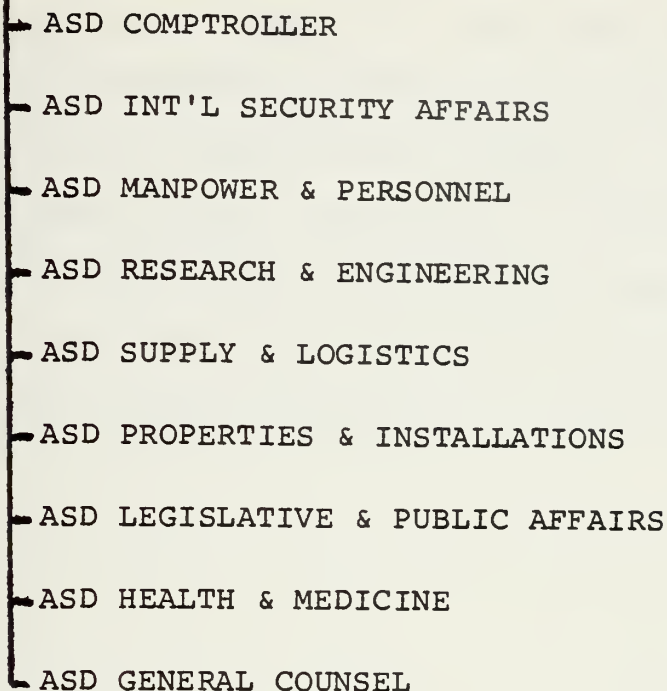


Figure 3. Assistant Secretaries of Defense, 1958

which fell to disuse under President Truman, was revived by President Eisenhower. The latter viewed the NSC much differently.

The NSC is a corporate body, composed of individuals advising the President in their own right, rather than as representatives of their respective departments and agencies. Their function should be to seek, with their background of experience, the most statesmanlike solution to the problems of national security, rather than to reach solutions which represent merely a compromise of departmental positions [4:316].

As a result of this Presidential support, the NSC became an important national policy making organ. An elaborate

system of committees and procedures were developed to better serve the President.

The changes of the 1950's were the final serious attempts to resolve management problems in the Department of Defense through formal organizational changes. Further improvement in management policy would focus on changes in management technique rather than organizational structure. By 1958, Congress had vested the Secretary of Defense with all of the power and authority necessary to run the DoD on a unified basis.

V. THE MCNAMARA YEARS

Although organizational power had been centralized in the Office of Secretary of Defense since 1958, "it was not until 1961 that the full powers of the Secretary of Defense to run the Department on a unified basis were actually used" [11:21]. This assessment provides an insight to how the new administration planned to approach some of the bitter campaign's major issues: reliance on the strategy of massive retaliation, the so-called "missile gap", and the apparent overall decline in U.S. military readiness.

Soon after the election, the transition staff for President-elect Kennedy recommended yet another reorganization of the Defense Department. The Symington Committee, which consisted primarily of former DoD officials, had recommended major changes in the organization of the DoD. However, Kennedy was reluctant to enter the Congressional fight that these changes would entail. The President-elect had selected a strong administrator, Robert S. McNamara, as his Secretary of Defense. Based on McNamara's recommendations, President-elect Kennedy decided that the Defense Department needed a vigorous management effort, rather than another reorganization. This is a watershed in the development of the Department of Defense. It marks a change in course from solving management problems through organizational change, to solving management problems with improved management techniques.

This chapter will cover the development of management policy within the Department of Defense from 1961 to 1970. It will discuss the major players, strategy changes, and management innovations of the period. Finally, the effects of these changes on the management problems within the Defense Department will be assessed.

A. THE NEW ADMINISTRATION

The two major players in the development of management policy during this period were President Kennedy and his Secretary of Defense. The individual services and many Congressmen would become antagonists with their active resistance to change; but these two men would shape defense strategy and management policy for the next two decades.

Upon his election, President Kennedy took a non-partisan approach to selecting his cabinet. In Treasury, for example, he wanted someone "who could call a few of those people on Wall Street by their first names." For Secretary of Defense, the President-elect wanted a strong executive with broad administrative experience and capabilities. He chose Robert S. McNamara. His confidence in McNamara's capabilities is highlighted by the fact that McNamara was given complete authority to fill all staff positions within the Department, including those of service secretaries.

Throughout his lifetime, Robert S. McNamara has been described by even his detractors as a man of powerful intellect. They credit him with indefatigable energy, incredible

administrative and analytical skills, and a facility to assimilate and retain vast amounts of data. Robert F. Kennedy, an admirer, called him the most dangerous man in government because he was so persuasive. The President felt that McNamara was exactly the man to utilize "the full powers of the Secretary of Defense to run the Department on a unified basis" [11:21].

The direction of the Defense Department during this period stemmed from two distinct philosophical bases. The first was President Kennedy's categorical rejection as irrational the strategy of massive retaliation. Kennedy, whose views in this regard were shared by Secretary of Defense McNamara, wanted a force structure that would provide for a "flexible response." McNamara's own personal management philosophy was the other base from which management policy within the Department of Defense flowed.

In many aspects the role of a public manager is similar to that of a private manager. In each case he may follow one of two alternative courses. He can act rather as a judge or as a leader. As the former he waits until subordinates bring him problems for solution, or alternatives for choice. In the latter case, he immerses himself in the operation; leads and stimulates an examination of the objectives, the problems and the alternatives. In my own case, and specifically with regard to the Department of Defense, the responsible choice seemed clear" [5:32].

While the overall direction of the Department of Defense would come from McNamara's personal management philosophy and the strategy of flexible response, many of the important management innovations would come from his industry experience.

McNamara was a Harvard MBA whose specialty was statistical analysis. During WWII, he had distinguished himself as an Air Force troubleshooter in the area of logistics controls. His work was characterized by the application of business techniques to military problems. After the War, McNamara entered the service of Ford Motor Company during that entity's postwar reorganization. Distinguishing himself in the areas of financial management and statistical control, McNamara rose through the ranks of the company to become Ford's first non-family President in 1960. His major achievement during this rise was supervising the development of Ford's Falcon, America's first compact car. Characteristically, he began the Falcon's development with a detailed analysis of the leading European, small-car, import. His staff completely dismantled the import, assessing its cost and Ford's cost to manufacture each minute part. McNamara left Ford, after only one month as its president, to become his country's eighth Secretary of Defense.

Implementation of the "flexible response" strategy required a revamping of the entire military force structure. In addition to an effective strategic deterrent, the conventional forces had to be built up to a level which would provide the new administration with a wide range of alternative responses. The new President wanted to be able to respond to confrontations with force appropriate to the situation. Capabilities short of general war were needed. Secretary

of Defense McNamara reviewed the current force structures and immediately implemented two new management techniques to aid in reshaping the U.S. defense posture. The first technique was the implementation of a Planning, Programming, and Budgeting System (PPBS). The new programming function linked the existing planning and budgeting processes, enabling the Secretary of Defense to objectively compare different forces with different missions such as strategic vs. general purpose forces. The other new technique was the application of systems analysis at the OSD level. This enabled the Secretary, through independent analysis, to compare competing claims to the same scarce resources.

B. THE PLANNING, PROGRAMMING, BUDGETING SYSTEM

Charles J. Hitch, McNamara's first Comptroller, developed PPBS and instituted it within the DoD in time for the first Kennedy Administration budget submission. The purpose of PPBS was to correct the deficiencies of the old budgeting system. Prior to 1961, the President would indicate the general level of defense expenditures, which he felt appropriate to the international situation and overall economic and fiscal policies. The Secretary of Defense would then determine the allocations to the services. .

Each service would then tend to exercise its own priorities, favoring its own unique missions to the detriment of joint missions, striving to lay the groundwork for an increased share of the budget in future years by concentrating on alluring new weapon systems, and protecting the

overall size of its own forces even at the cost of readiness [11:24].

Budgeting in this manner precipitated a series of weaknesses. It provided information useful for day-to-day operations, but not for national policy making. There was an inability to look at programs as entities. Historically, budgeting was unrelated to military strategy. Force planning or strategy was developed by the uniformed military, while budgeting was done by civilians in the Department of Defense. There was also the lack of a central plan--no authoritative general policy statement from the Secretary of Defense for the DoD or the services [5:11-21].

The effects of these deficiencies led to widespread duplication of effort among the services, gross deficiencies in cost estimates, and no standard of readiness for forces already in existence. Most importantly, there was a possibility that critical gaps in the overall defense posture of the nation could exist undetected.

According to Secretary of Defense McNamara, the financial management system in the Defense Department had to serve many purposes. In addition to producing a budget in a form acceptable to Congress, and accounting for funds in the same manner as appropriated, the system "must also provide data to make really crucial decisions about the major forces and weapon systems needed to carry out the principle missions of the defense establishment" [11:28]. McNamara wanted "all defense problems approached in a rational, analytical way and resolved

on the basis of national interest" [5:31]. While he was certain that he had the legal authority and responsibility as Secretary of Defense to do this, McNamara felt that the financial management information system was inadequate. PPBS was designed to rectify these problems.

According to Mr. Hitch,

the fundamental idea behind PPBS was to replace decision-making by compromise among the various institutional, parochial and other vested interests in the Defense Department with decision-making based on the explicit criteria of the national interest in defense programs [5:33].

The main purpose of PPBS was to develop explicit criteria, openly and thoroughly debated by all interested parties, that could be used by the Secretary of Defense, the President, and Congress as measures of the need for and adequacy of defense programs. Leaders would then be able to examine proposals from a broader perspective than that of the organization proposing them. They could choose among real alternatives and ascertain at what point further spending on a given military program resulted in incremental gains so small that it was no longer justified [5:33]. PPBS would lead to a greater centralization of major program decision-making within the Office of Secretary of Defense. This was felt justified because the great technological complexity of modern weapons, their enormous cost, and their lengthy period of development, placed an extraordinary premium on sound choices for major weapon systems [5:34].

The second basic objective of PPBS was the need to consider defense needs and costs together. The fundamental problem of the old budget system was that the inevitable budget ceilings resulted in prestige items (carriers, divisions, air wings) being retained and unglamorous but essential support items (ammunition, spare parts, fuel) being cut [5:35,36]. PPBS would provide decision-makers with the information necessary to make the real choice which faced them: not between whether or not to buy a particular system but how much to buy. "PPBS through its emphasis on the total cost of a defense program in relationship to need, and its search for alternatives that yield the greatest military effectiveness from the resources available, works to enhance an awareness of the relevance of cost" [5:38].

A third basic goal of PPBS was the explicit consideration of alternatives at the top decision-making level. No longer would the services be able to gain approval for their favored programs by presenting them in tandem with clearly inferior alternatives. Only alternatives which were balanced, feasible solutions to the problem, would reach the top [5:38]. An inherent advantage to PPBS was that it made the issues understandable to political leaders and general managers because the program structure gave costs for entire programs. PPBS translated the defense budget from line item inputs to forces and from forces to outputs, such as targets destroyed or troops deployed. It translated detailed technical criteria produced

by experts into broader criteria that would be of more significance to political leaders. This would correct the inherent bias in DoD toward the experts' view [5:39]. It also would provide Congress with more practical, thorough, and detailed information upon which to base budgetary decisions [5:40].

Fundamental to the success of PPBS was the active use of an independent, analytical staff at the top policy-making levels. This analytical effort would be conducted along broad mission lines rather than along service lines, integrating weapons, data, and ideas of the services into force packages [5:42,43].

Another basic idea behind PPBS was that it provided a plan combining both forces and costs, which projected into the future the foreseeable implications of current decisions. It formulated a set of official planning assumptions, and a point of departure in the continuing search for improvement [5:44].

The final major objective of PPBS was that it should provide a forum for open and explicit analysis. All parties would have complete access to information, be free to question assumptions, and have the opportunity to express their views. This would inhibit any one group from successfully manipulating an analysis [5:75,76]. Mr. Hitch summarized the thought process behind PPBS.

In sum, the fundamental idea behind PPBS was decision-making based on explicit criteria related to the national interest in defense programs as opposed to decision-making by compromise among

various institutional and parochial interests. PPBS also emphasized the consideration of real alternatives, the importance of evaluating needs and costs together, the need for a multi-year force and financial plan, the regular use of a staff as an aid to decision-makers at the top levels, and the importance of making analysis open and explicit [5:47].

PPBS was not entirely new. The planning function had traditionally been carried out by the uniformed military, primarily under the auspices of the JCS. Budgeting had traditionally been under the purview of the civilian secretaries. PPBS preserved the advantages of both of these evolutions: planning in terms of programs based on missions and budgeting based on line items or resources. The new programming function was designed to provide a bridge between the planning and budgeting process, which were both well established by 1960 [11:29].

The initial problem with the programming process was to sort out all of the myriad of programs and activities of the defense establishment and regroup them into meaningful program elements. A program element was an integrated combination of men, equipment, and installations, whose effectiveness could be related to particular national security objectives. Wherever possible, program elements were to be measured in physical as well as financial terms. In other words, input would be related to output, cost to benefit [11:32].

For each program element, the program costs were subdivided into development costs, investment costs, and operating

costs. The programming process cross-referenced force requirements to budget requirements by breaking down each program's costs to appropriation's line items. Program elements were then grouped to the major missions of DoD. The elements in a group or program were either mutually supportive or close substitutes for each other. The unifying principle underlying each major program was a common mission or set of purposes for the elements involved [11:33,34].

Thus, each program element fit into one of ten major Defense Department programs. They were: strategic forces, general purpose forces, intelligence and communications, airlift and sealift, guard and reserve forces, research and development, central supply and maintenance, training and medical services, administration and associated activities, and support to other nations [5:48]. The advantage of this system was that for the first time, the cost of one program element could be directly compared to another. For example, many different forces provide strategic deterrent. PPBS allowed a direct comparison of the cost effectiveness of an Air Force bomber wing with a Navy Poseidon submarine for a given level of strategic deterrence. PPBS ensured that each program element contributed to the mission(s) of a major program. Furthermore, it enabled decision-makers to make economic tradeoffs between different weapon systems, which accomplished the same objectives.

PPBS was implemented with the aid of many other new management tools. The most important was the Five Year Defense

Plan (FYDP). The FYDP was a comprehensive display of each of the ten major programs along with each of their program elements. Essentially, the FYDP was a series of force tables, giving an eight year projection of forces and a five year projection of costs and manpower, displayed in mission oriented programs.

When the Secretary of Defense decides to begin engineering development of a new weapon system, with procurement presumably to follow, he initiates a stream of expenditures which can eventually include development, procurement, and operating and maintenance costs of the completed system. The FYDP provided the Secretary of Defense with a record of current costs and projections of future costs [5:48]. The FYDP served also as a basis for service budget submissions. Major program and force issues were thrashed out in the FYDP during an annual review cycle. The service budget would then price out the latest update of the FYDP. The budget review could then focus on financial requirements without rehashing all of the program issues [5:52]. The budget review could concentrate on providing greater detail on procurement lists, production schedules, lead times, prices, status of funds, etc. [11:39].

Another management tool, utilized to aid the implementation of PPBS, was the Draft Presidential Memorandum (DPM). Essentially, a DPM was formulated for each major program in the FYDP. The DPM represented a formalized decision-making process so that all major defense programs would be considered and

analyzed as a whole. The DPM structured the decision making process so that it kept to the basic issues and reduced the emotionalism inherent to major defense issues. Furthermore, each interested party was guaranteed his day in court because each was forced to respond to every DPM [5:53,54].

The DPM process served many functions. First, it served as a vehicle for orderly interrogation and debate, while giving the Secretary of Defense the initiative in reviewing policy and forces. The process served to identify areas of agreement and disagreement, to isolate by assumptions, and to focus attention on areas of uncertainty where judgement needed to be applied. Additionally, the DPM process would provide a good transition document for the uninitiated: each DPM examined a total functional area for the proper integration of strategy and forces [5:55].

While the DPM provided a basis for the "big picture" strategic decisions, other tools were utilized for specific problem areas. The Development Concept Paper (DCP) was used to apply the DPM concept to research and development projects. Its purpose was to examine performance, cost, schedule estimates, and technological risks on the basis of whether to start or continue a research and development program. The DCP would document the reasons and rationale behind each decision and force each party to concur or object explicitly. The goal was not to naively plan inventions or completely accurate cost data; but rather, to counter the tendency to grossly overestimate expected performance and underestimate

costs and risks. The DCPs also set cost thresholds at which the Secretary of Defense would review his decisions [5:58].

Another management tool was the Readiness, Information, and Control Table. These were used to provide detailed study, analysis, and supporting documentation for specific management problems. They were used primarily to support operational decisions [5:60].

While PPBS did accomplish many of its objectives and did rectify many of the problems of the former budgeting system, it was not without its own limitations. PPBS could not turn poor judgment into good judgment. It could not transform disagreement into agreement. Nor could PPBS guarantee leadership, wisdom, initiative, or imagination. These goals and traits could only be derived from sound decision-making based on accurate, reasoned, analysis. The second major management technique, implemented during the McNamara era, was designed to provide this analysis.

C. SYSTEMS ANALYSIS

Systems analysis was not new to the Department of Defense. What was new was that this approach would now be used at the level of Secretary of Defense. McNamara had decided to institute his own systems analysis staff capability. Once again his personal, management philosophy served as the basis for innovation.

I am sure that no significant military problem will ever be wholly susceptible to purely quantitative analysis. But every piece of the total problem that can be quantitatively analyzed removes

one more piece of uncertainty from our process of making a choice. There are many factors which cannot be adequately quantified and which therefore must be supplemented with judgment seasoned by experience. Furthermore, experience is necessary to determine the relevant questions with which to proceed with any analysis.

I would not, if I could, attempt to substitute analytical techniques for judgment based upon experience. The very development and use of those techniques have placed an even greater premium on that experience and judgment, as issues have been clarified and basic problems exposed to dispassionate examination. The better the factual basis for reflective judgment, the better the judgment is likely to be. The need to provide that factual basis is the reason for emphasizing the analytical technique [5:66].

The Secretary's systems analysis office was given an explicit charter to review questions of military strategy, requirements and force structure, using modern techniques of analysis. It was established to give the Secretary of Defense an independent staff assistance in reviewing JCS and service proposals. Primarily, the office reviewed JCS and service proposals regarding force and weapon systems requirements, developed alternatives to these proposals, and integrated data regarding requirements, costs, and effectiveness. Systems analysis was regarded by practitioners as a management philosophy in itself, as noted by Alain Enthoven, who pioneered its use in the DoD.

Systems analysis is a reasoned approach to highly complicated problems of choice in a context characterized by much uncertainty; it provides a way to deal with differing values and judgments; it looks for alternative ways of doing a job; and it seeks, by estimating in quantitative terms where possible, to identify the most effective alternative [5:62].

McNamara felt that an effective leader reserved the right to challenge preferred solutions, to be skeptical, to suggest alternatives, and to demand analysis rather than assertions [5:88]. For him, there was no such thing as a purely military decision. The decision on how many divisions to station in Europe, for example, depended on a number of extra-military factors. We had to consider the costs as they related to budgets and the balance of payments. Judgments had to be made about sharing defense burdens among our allies. Additional political and psychological judgments also had to be made about the effects of various military force developments on the political behavior of our friends and enemies [5:82].

While systems analysis was designed to aid decision makers in these areas, it was not a panacea. Systems analysis did not provide a detailed equation by which to generate the "correct" answer. It was merely an aid to judgment by defining issues and alternatives clearly, by providing a full, accurate, and meaningful summary of as many of the relevant facts as possible, and providing the probable costs of hedging against major uncertainties. In an analysis, assumptions drive conclusions. Systems analysis helped to illuminate relevant assumptions and their impact on conclusions [5:63,64].

McNamara summed up his need for systems analysis in a Congressional hearing:

The real issue is one of clarity of understanding and expression. Take, for example, the statement 'Nuclear power for surface ships offers a major

increase in effectiveness.' Precisely what does that mean? Does it mean 10 percent better or 100 percent better? When that sort of question is asked a frequent answer is, 'It can't be expressed in numbers.' But it has to be expressed with the help of numbers. Budgets are expressed in dollars, and nuclear power costs more than conventional power. If nuclear power costs, say 33 percent more for some ship type, all factors considered, then, no matter what the budget level, the Navy and the Secretary of Defense have to face the choice of whether to put the nation's resources into four conventional or three nuclear ships, or for a large budget, eight conventional or six nuclear ships, and therefore whether by 'major increase' is meant more than 33 percent, about 33 percent, or less than 33 percent. Because the Secretary of Defense has to make the decision in these terms, the statement 'major increase' is not particularly helpful. It must be replaced by a quantitative analysis of the performance of various missions, leading to a conclusion such as 'Nuclear power for surface ships offers something between X and Y percent more effectiveness per ship. Therefore, \$1 billion spent on nuclear powered ships will provide a force somewhere between A and B percent more or less effective than the same dollars spent on conventionally powered ships' [16:244,245].

McNamara sought the use of systems analysis at all levels within the DoD. He particularly advocated its use at his level. Early in his tenure, McNamara identified several factors which limited military-sponsored alternatives. There was a severe inter-service competition for missions. Each service battled for mobility and tactical air missions. The Air Force and the Navy actively sought offensive, strategic missions. Each service tended to neglect or undervalue programs that supported the missions of other services, or new, unconventional missions. For example, the Air Force had long neglected its tactical air capabilities and the Navy had to be forced to take on the Polaris submarine. Competition was

not limited to inter-service rivalry. Intra-service competition existed between specialties of the same service.

Although PPBS was generally accepted on all fronts as a valuable management tool, the extensive reliance on systems analysis was subject to widespread, severe criticism. The main theme of the House Armed Services Committee was that military leaders were experts and any reduction of their requests meant risking the nation's security [5:1]. Various Congressmen said: "Cost effectiveness studies put dollars before national security!" "Cost effectiveness will result in our going to war with cut-rate, cut-quality, cheapest-to-buy weapons." "Nothing but the best will do for our boys!" [11:43]. One Senator criticized that, "There are, unfortunately, some policy-making civilians in DoD who seem to know the cost of everything, but the value of nothing" [5:74]. Individual service chiefs also became vocal: "Experts in a field where they have no experience, they (systems analysts) propose strategies based on hope and fears rather than facts and seasoned judgments" [5:78]. These criticisms were not transitory. Resistance in Congress to systems analysis lasted long after it had been implemented. In 1968 and again in 1969, the Chairman of the House Armed Services tried to abolish the systems analysis office on the grounds that the Secretary should not have a civilian led staff advising on matters of strategy and force requirements [5:4].

However, McNamara had the personal and public support for systems analysis of both Presidents, whom he served.

He also enjoyed some support within the Congress, notably from the Senate Armed Services Committee. Perhaps because of the underlying reality of allocating scarce resources, systems analysis has remained an integral part of the defense decision-making process. Some of McNamara's successors have emphasized the functions more than others, but all have maintained the capability within their office.

McNamara's systems analysis staff was instrumental in every major decision that he made concerning weapon systems during his tenure. Each of the major decisions was controversial, especially when a military-sponsored system was cut for not meeting the cost effectiveness criteria. Systems analysis faced many tests during this period. It could claim a number of successes; however, there were also some notable failures. In each case, it was systems analysis which enabled McNamara to first make his own decision; but more importantly, to enable him to successfully champion his decisions in the face of dissent from other government officials.

D. ASSESSMENT OF MANAGEMENT PROBLEM AREAS

Despite various problems with a few specific weapons systems, the McNamara years produced many improvements in the overall management of the Department of Defense. McNamara was the first Secretary of Defense to exercise almost complete control over the military. He believed that information was power, and carefully constructed a management control system which provided him with the information necessary to exercise

his authority fully. McNamara was also the first Defense Secretary to exploit fully the power of modern management techniques. PPBS attempted to ensure that force requirements and programs flowed from strategy and that the Secretary of Defense had access to the information necessary to make such decisions. Systems analysis sought to ensure that the information he received was accurate. These management tools enabled the Secretary of Defense to attempt to drive military policy in the national interest.

McNamara and the two Presidents whom he served, shared a common vision for the future security of the United States. They carefully guided the nation from reliance on a strategy of massive retaliation to a more stable one of flexible response. McNamara's leadership and management skill ensured that military policy was consistent with this new doctrine. Program decisions were made to support this strategy. Although he was responsible for some major failures in procurement decisions, there can be no doubt that his tenure as Secretary of Defense was marked by a vast increase of civilian control over the uniformed services.

Budgetary controls, during the McNamara era, were improved though the use of innovative management techniques, rather than legislative action as in prior periods. Improvements were made from within the Department of Defense. PPBS was successful in achieving many of its major goals. It enabled the Defense Department to achieve the performance budgeting

that had been recommended but never achieved in the previous decade. No longer were military planning and civilian budgeting completely divorced from each other. When combined with systems analysis, PPBS permitted a national recognition of the effects of economics on defense decision making. No longer would the realities of the budget be met with arbitrary spending ceilings.

The field of procurement saw the most widespread application of modern business techniques, since the innovations of Forrestal in WWII. The rigorous use of systems analysis at the highest decision levels improved the weapons systems' selection process. As McNamara had stated, the use of systems analysis did not ensure correct decisions. But it did provide a rational approach to making procurement decisions on the basis of their contribution to national security. Systems analysis explicitly recognized the fact that we could not buy everything and provided the Secretary of Defense with the information necessary to make the hard choices.

The McNamara years produced many other improvements in the field of procurement. McNamara founded the Defense Contract Audit Agency (DCAA), which applied modern business contracting techniques to procurement contracts. The Defense Supply Agency (DSA) consolidated the procurement of common supply items for all of the services. McNamara's systems analysts pioneered the concept of life cycle costs when comparing competing weapon systems. McNamara began the trend

away from "cost plus" contracting which practically encouraged contractors to have cost overruns. He advocated the use of a "fixed-price-incentive-fee" concept, which attempted to provide contractors with an incentive to hold down costs. Under this arrangement, a target price was negotiated and a ceiling price was fixed. The contractor received a pro rata share of any of the savings achieved by completing the project under the target price. Conversely, he shared the costs incurred over the target price. The ceiling represented the maximum government liability. Costs above this ceiling price were absorbed wholly by the contractor.

Despite these improvements in defense procurement several problems still existed. In many cases political considerations often interfered with sound business judgment. Cost overruns on some defense projects posed the greatest problems. Although greatly fueled by inflation, these overruns were also caused by poor procurement policies. Contractors were still able to "buy in" to defense contracts with unrealistically low estimates. The Defense Department had a great deal of difficulty in fostering honest competition during the initial project definition phase of the procurement cycle. The most flagrant cases of cost overruns, such as in the C-5A aircraft, were due to the government's proclivity toward contract changes.

From 1960 to 1969, there were no significant changes to the organization of the JCS. The JCS formally entered PPBS

in the planning phase with the submission of the Joint Strategic Objectives Plan (JSOP), which was based on their own detailed threat analysis [10:21]. The JSOP was the JCS input to the force requirements compiled in the annual update of the FYDP.

One of the great problems of the period, from the JCS point of view, was the constant overriding of their advice by McNamara [10:22]. They saw this as a significant obstacle to their influence. Since the members of the JCS were also the individual service chiefs, the alienation that they felt toward their civilian leadership often extended throughout the services.

During the McNamara years, military policy was carefully integrated into the overall foreign policy of the United States. President Kennedy had made it clear at the beginning of his term that he intended to be his own Secretary of State. The close cooperation and commonality of views shared by the President and his Secretary of Defense ensured that military policy would be designed to support and implement foreign policy.

Under President Kennedy and later President Johnson, the elaborate Eisenhower NSC structure was dismantled. The NSC staff, rather than serving the NSC, served the President directly. President Kennedy did not want consensus policy, but rather a presentation of options. Special, inter-departmental task forces were used during crisis situations [4:317].

Under McNamara, the role of Assistant Secretaries of Defense vis-a-vis the services was expanded. Without any statutory change, McNamara's strong leadership was extended by his assistants over the services. Using PPBS, the Comptroller exercised tight fiscal control over each of the services throughout the annual budget cycle. McNamara's Assistant Secretary for Systems Analysis profoundly influenced decision-making at the highest level. The systems analysis staff directly and indirectly drove decision-making throughout the military establishment. Although some of the results of systems analysis were clearly beneficial, it created a schism between civilian and career military personnel.

Before 1970, the Nixon Administration made a few adjustments to the management systems imposed by McNamara under Presidents Kennedy and Johnson. Nixon's Secretary of Defense, Melvin Laird, wanted to decentralize some of the power and authority, which McNamara had concentrated in the OSD. He focused his personal attention on improving the relations of the Department with Congress and the uniformed military. These relations had diminished under the more domineering McNamara. Although he muted their role in Defense Department decision-making, Laird appreciated the work of the systems analysis office and maintained its capabilities at the Secretarial level. Laird also made some minor changes to PPBS. The JCS were now given budgetary guidance from the President before preparing their input to PPBS.

President Nixon also returned to a formalized method of developing policy recommendations [10:23]. The NSC was revitalized and an elaborate system of policy subcommittees was developed to provide analytical studies. Although the NSC became very influential in determining foreign policy and integrating it with military, it did not mark a complete swing back to the consensus decision-making of the Eisenhower years. Nixon made his decisions after NSC meetings, based on NSC discussions, staff inputs and special studies [4:317].

Thus, the development of the NSC had come full cycle. It was not the cabinet level, consensus decision-making body envisioned by Congress upon its creation in 1947. It was, however, the highest policy making body for the integration of foreign and military policy. It could be molded to fit the personal decision-making tastes of the President whom it served. The NSC did not ensure that foreign and military policy were in consonance; but, it provided a forum for this coordination to take place.

VI. CONTRIBUTIONS OF THE 1970S TO DOD MANAGEMENT POLICY

This chapter deals with the development of management policy within the Department of Defense from 1970 to the present. It covers the administrations of Presidents Nixon, Ford, and Carter. This chapter begins with a discussion of the findings and recommendations of the Blue Ribbon Defense Panel Report of 1970. It follows with a summary of the provisions of the 1974 Congressional Budget and Impoundment Control Act and an assessment of the impact of these provisions on the Defense Department budgeting process. A brief description of zero-base budgeting, implemented in 1977, is then presented. The chapter concludes with an overview of the three Carter DoD studies: the Ignatius, Steadman and Rice Reports.

A different approach toward the improvement of management policy in the Department had been taken in each of the last three decades. The 1950s focused on improving management policy through organizational change. During the McNamara years change took the form of improved management techniques and a vigorous utilization of the power centralized in the Office of Secretary of Defense. The dominant characteristic of change in the 1970s was the attempt to improve the management by focusing on the timing of critical events of the major systems acquisition process and the budget cycle. The

impetus for much of this change initiated from the Nixon Blue Ribbon Defense Panel.

A. RECOMMENDATIONS OF THE BLUE RIBBON DEFENSE PANEL REPORT

In July 1969 President Nixon chartered a Blue Ribbon Defense Panel to study the organization and operation of the Department of Defense. It was made up of a group of distinguished citizens. Although two of its members had previous Defense experience, most were successful academics and businessmen. The Panel devoted a year to its work and produced a 213 page report with 113 recommendations. In all, 92 of the 113 were to be later implemented in whole or part; however, few of the major recommendations were ever adopted [13:19,20]. Those recommendations which were later implemented, were the ones dealing with systems acquisition management and procurement policy.

In its final report, issued on 1 July 1970, the Blue Ribbon Defense Panel made findings and recommendations in four major areas: the organizational structure of the Department, the JCS, the unified and specified command structure, and the acquisition process.

The Panel criticized the Defense Department for excessive centralization of decision-making authority at the level of Secretary of Defense. The Panel reported that the present structure of the Department inhibited the Secretary's ability to selectively delegate authority and decentralize management

while still retaining personal authority over the major policy issues [2:1].

Another serious organizational problem within the Department of Defense concerned the multiple layers of staffs at different levels, both within the department and within the OSD. The most important problem with this arrangement was that differences of opinion on important issues tended to be submerged or compromised at lower levels within the department. This prevented the President and the Secretary of Defense from having the opportunity to consider all viable options when making major decisions. The numbers and size of the various staffs were too many and too large. The Panel concluded that the primary products were excessive paperwork and coordination, delay, duplication and unnecessary expense [2:1].

Within the Department of Defense, the organization of the OSD left many important functions unfulfilled. No organizational element in OSD had the capability or the responsibility to objectively make net assessments of U.S. and foreign military capabilities. No one was charged with the responsibility for long-range planning for the structuring or equipping of forces, nor was there any formal mechanism to assure adequate coordination among the various elements of the Department [2:2].

The Panel also found that the functional assignments of the assistant service secretaries contributed to a wasteful

duplication of effort between the service department staffs and those of the service chiefs [2:2].

To rectify these problems, the Blue Ribbon Defense Panel proposed a major Defense Department reorganization. It recommended a division of the functions of the Defense Department into three major areas, each headed by a Deputy Secretary (see Figure 4). The Military Operations section would include operational command, intelligence and communications functions. Another section would be responsible for the management of personnel and material resources. The third section would be in charge of evaluation type functions including financial controls, testing of weapons, and analysis of costs and effectiveness of force structures [2:3]. Each of the Deputy Secretaries would be served by an array of Assistant Secretaries.

This arrangement would reduce the span of control of the Secretary of Defense to three. Each Deputy Secretary would have a span of control of five or less.

The Panel recommended a reduction in the number of Assistant Secretaries serving each service secretary to three per military department. They would serve as a personal staff to the military department secretary with no formal functional limitations on their purview [2:6]. Additionally, the service secretary's staff and the service military staff would be integrated to eliminate duplication [2:6].

The second major problem area, cited by the Blue Ribbon Defense Panel, was that of the operations of the JCS. The

SECRETARY OF DEFENSE

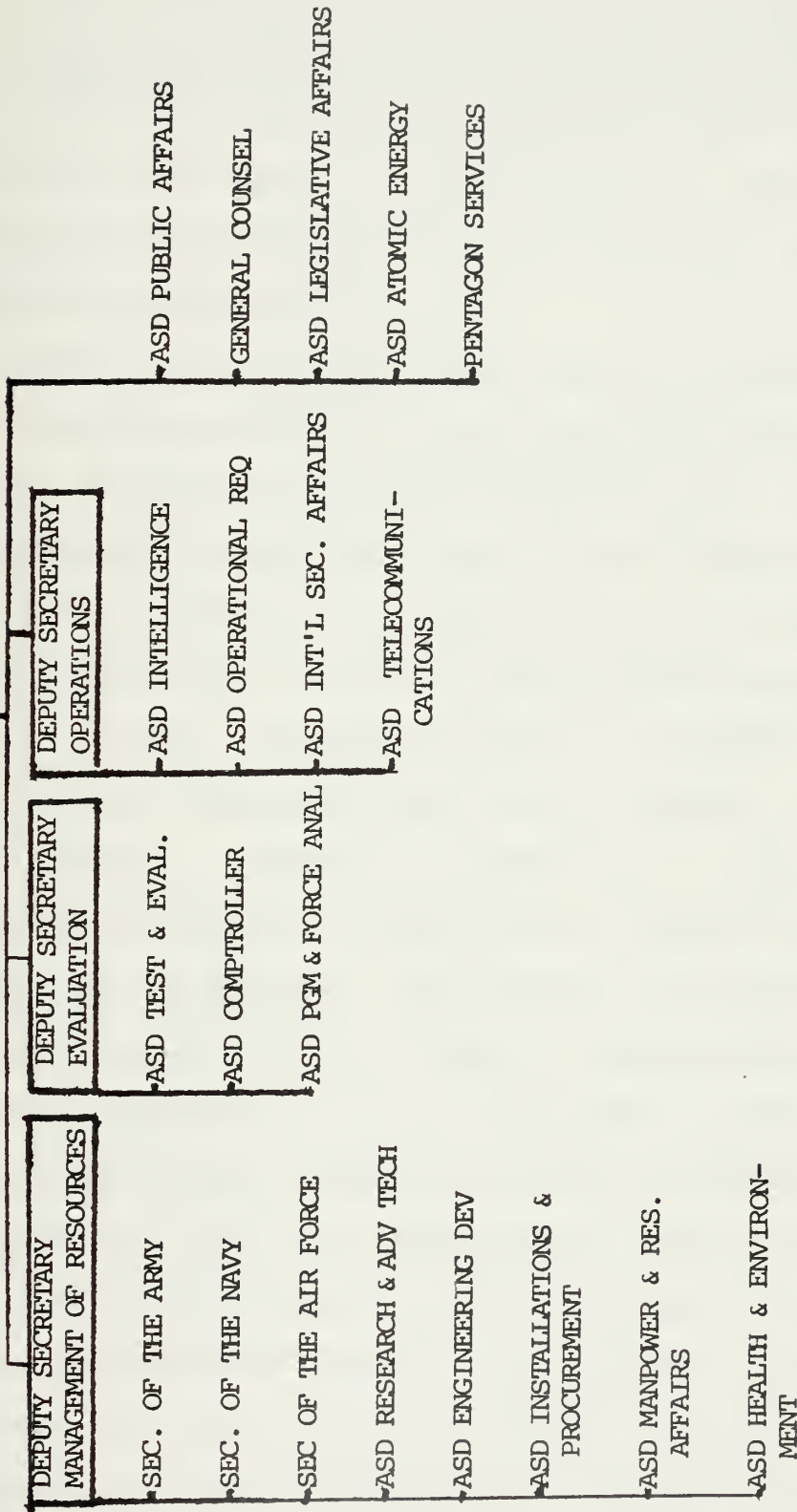


Figure 4. Office of the Secretary of Defense as Recommended by the Blue Ribbon Defense Panel

Panel found that

the JCS could more effectively perform their important statutory role as principle military advisors to the President and the Secretary of Defense if they were relieved of the necessity of performing delegated duties in the field of military operations and service department supervision [2:1].

In effect, the Panel stated that the fact that JCS members wore two hats precluded them from performing their primary function satisfactorily.

The Panel recommended that the JCS and their Joint Staff be completely removed from the operational chain of command to the unified and specified commands [2:5]. The Panel also recommended a reduction in the size of the Joint Staff.

The organization and administration of unified and specified commands gave the Blue Ribbon Defense Panel cause for great concern. A unified command is a command composed of significant forces from two or more services, e.g., the European Command. A specified command is one which has a broad continuing functional mission and is usually composed of the forces of one service. Examples are the Strategic Air Command or the Military Airlift Command. The Panel charged that the present organization did not bring about unification of the armed forces; but instead, just layered service component headquarters and large headquarters' staffs [2:1].

The Panel recommended a reorganization of many of the existing specified commands. For example, the Strategic Air Command, the Joint Strategic Target Planning Staff, the Continental Air Defense Command, and the Fleet Ballistic Missile

Operations would all be combined into a Strategic Command. Two additional specified commands, the Tactical Command and the Logistics Command, would be formulated in the same manner. No commander of these or other specified or unified commands would be able to serve concurrently as Chief of Staff of a military service [2:4].

The Panel sought to establish a clear chain of command extending from the President through the Secretary of Defense, the Deputy Secretary of Defense (Operations), and the Assistant Secretary of Defense for Operations, to the Unified Commander. The JCS was to be totally eliminated from this chain of command. A senior military officer with an operations staff would be placed between the Deputy Secretary of Defense (Operations) and all Unified Commanders [2:4].

In an effort to improve operational readiness, the Blue Ribbon Defense Panel recommended an expansion of the authorities of their commanders. Subordinate unit commanders, whose units came from the individual services, were to be redesignated as Deputies to the commander of the appropriate unified command. The change was to make it unmistakably clear that the combatant forces were in the chain of command which ran exclusively through the Unified Commander and not through an individual service chief [2:5]. However, the military departments were still responsible for administrative and logistical support of their units which were part of a unified command.

The final major problem area with which the Blue Ribbon Defense Panel concerned itself was that of systems acquisition management and procurement policy. The Panel had found that the policies of the Department of Defense had contributed to serious cost overruns, schedule slippages and performance deficiencies. Operational test and evaluation had been too infrequent, poorly designed and executed, and generally inadequate [2:2].

The Panel recommended that an entirely new development policy for major systems be formulated. The new policy should focus on reducing technical risk by stressing hardware demonstration before full-scale development [2:7]. New policy should also focus on the development of selected subsystems independent of the development of major systems. Government laboratories and contractors should be used in the development phase of subsystems. The Panel discouraged continued reliance on "paper studies" and cited the need for an increased use of competitive prototypes. Other measures proposed included a more flexible contracting approach, trade-offs between modifications to existing systems and development of new systems, and better planning early in the development cycle for subsequent test and evaluation [2:8].

Project managers, who oversee the acquisition of a weapons system, were found to be generally underqualified by the Panel. It wanted to create career incentives for those military officers who wanted to follow this career path. The Panel also

wanted to strengthen the project managers position vis-a-vis his industry counterpart by placing the military contracting officer under the project manager's cognizance [2:8].

The major change in the systems acquisition process, recommended by the Panel, was to increase the number of decision points at which the Secretary of Defense would review progress on a project. The current system required a Secretary of Defense review and decision at only one point in the cycle. The proposed system would require three Secretary of Defense decision points (see Figure 5).

1970 ACQUISITION STRATEGY



PROPOSED ACQUISITION STRATEGY



Δ = Secretary of Defense Decision Points

Figure 5. Decision Points in the Acquisition Cycle as Recommended by the Blue Ribbon Defense Panel

B. PROVISIONS OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

In 1974, growing Congressional dissatisfaction with the overall budget process resulted in the passage of the

Congressional Budget and Impoundment Control Act. The primary catalyst for this Act was President Nixon's increasing propensity to not spend funds appropriated by Congress for programs with which he did not agree. The Act had more far reaching consequences, however, than simply precluding this practice.

Congress had long sought to recover some of the budget initiative that it had lost over the years to the President. Congress recognized its lack of control over the budget process and its lack of internal coordination in this area. To rectify this problem, this legislation established budget committees in both the House and the Senate. It also established the Congressional Budget Office (CBO), which consisted of a professional staff of analysts who would perform for Congress some of the analytical functions that the Office of Management and Budget Control (OMB) performed for the President. The Congressional Budget Office was not to make budget recommendations but rather to analyze those made by the administration. It would look at budget alternatives and five year budget predictions.

Most importantly, this legislation established a new schedule of budget submission requirements to be met by the executive branch. The schedule also set deadlines for Congressional action at various decision points in the budget process. This legislated budget cycle was designed to reduce the number of late appropriations each year, to block unplanned

spending and entitlement legislation, to reduce large budget deficits, and to improve Congressional staff coordination.

This new budget cycle had great impact on budgeting within the Department of Defense. Since the new budget cycle changed the beginning of the fiscal year from 1 July to 1 October, the budget preparation cycle within the DoD, particularly PPBS, had to be adjusted so that the new deadlines could be met. Whole new budget steps were created by the Act. Congress would now pass two concurrent resolutions on each budget. The first, in May of each year, would set budget targets for authorities and outlays. The second concurrent resolution would be issued in September and would set a ceiling for budget authority and a floor for revenue. An additional budget for current services had to be submitted early in the budget cycle. This would project a budget for the next fiscal year under the assumption that current services would be continued without change. Each of these new evolutions would require detailed input from Defense Department budget personnel.

This new budget cycle posed many other potential problems for the Department of Defense. From the standpoint of the acquisition project manager, the new requirements of this tighter budget schedule would place an increased emphasis on high quality cost estimates over a longer time frame [6:13]. The new Budget committees and the CBO would be making requests for information from DoD, which could require the kind of

time and effort for preparation that could overload the system at a critical point in the budget process. For the individual services, intense scrutiny by Congress of future year projections would require that more attention be placed on the out-year requirements contained in the FYDP [6:20].

The new budget committees, which set overall fiscal policy for the DoD, increased the administrative burden of the department. As a result of this new legislation, several of the older committees could also have been expected to participate in the budget cycle more vigorously. Both the Senate and the House of Representatives had Armed Services Committees. They were responsible for approving military programs and producing authorization legislation. Once a particular program was authorized money had to be appropriated for it. This was a separate process and each house had an appropriations committee, which was responsible for this function. Differences between the House and Senate versions of the same authorization or appropriations legislation were settled in conference committees. All of these committees placed requirements on DoD for documentation and testimony.

The provisions of the Act regarding impoundment control and apportionment also affected the Department of Defense. Appropriations were now carefully apportioned or phased by Congress, reducing DoD budget flexibility and increasing Congressional control. The President no longer had the power to impound funds for programs that he did not want to support.

He could rescind or defer funds, but each of these withholding procedures would eventually require the submission of detailed justifications to Congress. In either case, Congress could still direct that the funds be applied as appropriated.

C. CHANGES TO THE DEFENSE ACQUISITION PROCESS

Beginning in 1976 a concerted attempt was made to deal with the multitude of problems created by the existing major system acquisition process in the Defense Department. The progress made so far in the procurement arena, from Forrestal's institution of business practices to McNamara's heavy reliance on systems analysis, had not solved the very basic management problems encountered: cost overruns, schedule slippage, systems failures, duplication of efforts, and a general lack of control over the system.

The Blue Ribbon Defense Panel Report had highlighted many of these continuing problems. In 1976 and 1977 a series of executive department directives were issued, which pursued many of these continuing problems from a fresh perspective. They attempted to look at the entire acquisitions cycle, define the decision points in this cycle, establish responsibilities for each of these decision points, and establish formal procedures for each of the major acquisition functions.

The first document concerning this new approach to acquisition management was Office of Management and Budget Circular No. A-109, issued 5 April 1976. This was amplified in August

1976 by a detailed pamphlet also issued by OMB. In January of 1977, two revised Defense Department Directives (5000.1 and 5000.2) implemented and amplified the provisions of the OMB documents for the Department of Defense.

Circular No. A-109 and its amplifying document provided basic policy with regard to major system acquisitions. Each agency head in the executive department was made responsible to ensure that the provisions of the Circular were followed. According to OMB, management of the acquisition of major systems included: analysis of agency missions, determination of mission needs, setting of program objectives, determination of system requirements, budgeting, funding, research, engineering, development, test and evaluation, contracting, production, and program and project control [26:1].

The general policy of the Circular was designed to promote the effectiveness and efficiency of the process of acquiring major systems. Needs and program objectives were to be expressed in mission, rather than equipment terms. This was to encourage innovation and competition in creating, exploring, and developing alternative system design concepts. Increased emphasis would be placed on the initial activities of the acquisition process to allow competitive exploration of alternative system design concepts in response to mission needs [26:3]. Agencies were instructed to communicate with Congress early in the process, relating major system acquisitions to agency mission needs. Each major system acquisition

program was to have a program or project manager. Each agency was to establish clear lines of authority, responsibility, and accountability from the program manager to the agency head. The agency head and/or his designee were required to review and approve each project at specific decision points [26:4].

The Circular established specific management objectives for each agency involved in the system acquisition process. Each agency had to ensure that each major system: fulfilled a mission need, operated effectively in its intended environment, and demonstrated a level of performance and reliability that justified the allocation of limited resources for its procurement. Whenever economically beneficial, agencies were to foster competition between similar or differing system design concepts throughout the entire acquisition process. Adequate system test and evaluation were to be conducted by service agencies, independent of the developer and the user [26:4]. Each program was to have its own, tailored acquisition process. The strategy would include: intended use of the contracting process, scheduling of the process, methods for obtaining and sustaining competition, methods of projecting life cycle costs, and the use of warranties [26:5].

Four key decision points were emphasized by the Circular as requiring agency head approval. The first was initial identification of a specific mission to be fulfilled by a major systems acquisition. This was the major change of this

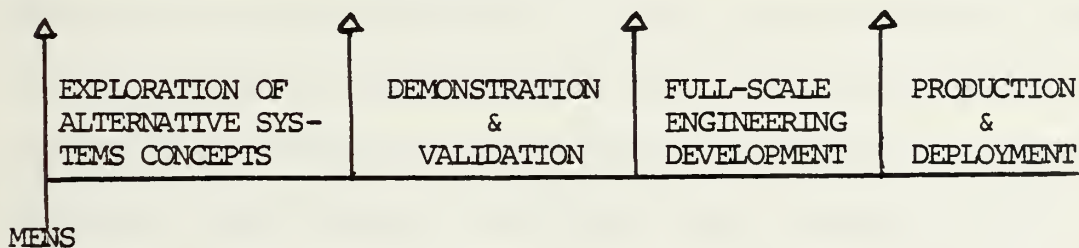
new system. The agency head was now required to make a decision at the very beginning of the acquisition cycle. He would have to focus on the need of a new system to fulfill a valid agency mission. The next key point was the selection of competitive system design concepts to be advanced to a test or demonstration phase. The subsequent commitment of a system to full-scale development and limited production would also require agency head approval. The final decision point, requiring specific review and approval was commitment of a system to full-scale production and deployment [26:7].

The Circular required that program or project managers be assigned for each major system acquisition within an agency. He was to be assigned as soon as a decision was made to fulfill a mission by pursuing alternative system design concepts. The project manager needed to have technical skills commensurate with the type of project and acquisition management skills. Agencies were encouraged to grant to the project manager a tenure long enough to provide continuity and personal accountability [26:6].

Department of Defense Directives 5000.1 and 5000.2 of 18 January 1977 implemented the provisions of OMB Circular A-109 within the Defense Department. They amplified the provisions of A-109 and set up specific procedures, boards, documentation systems, and policies for managing system acquisitions in the DoD. One such board was the Defense Systems Acquisition Review Council (DSARC), which was an

advisory board to the Secretary of Defense for the acquisition of major defense system programs. As noted above, the focal point of the change was the involvement of the Secretary of Defense in the decision-making process at an earlier stage in the system acquisition cycle. The individual service would not initiate the acquisition process by submitting a Mission Element Needs Statement (MENS) to the Secretary of Defense. The MENS would identify the mission area and document the military need. It would assess the projected threat through the time frame the capability was required and identify the existing DoD capability to accomplish the mission. The MENS would then assess the impact of not acquiring this capability [25:4].

Figure 6, below, highlights the decision points of the Secretary of Defense in this acquisition cycle.



△ = Secretary of Defense Decision Points

Figure 6. Secretary of Defense Decision Points in the Acquisition Cycle, 1977.

D. ZERO-BASE BUDGETING

Soon after his election in 1976, President Carter implemented zero-base budgeting (ZBB) at the federal level. The

impetus behind this move appeared to be fulfillment of a campaign promise rather than a well orchestrated effort to improve management policy. Like successful candidates for President who preceded him, President Carter campaigned on the issue of waste, fraud, and abuse in government spending. Zero-base budgeting was his recommended solution to these problems.

ZBB was a system of budget analysis which required each budgetary unit within the government to identify and justify each program and every dollar to be spent in its execution. Detailed decision packages were prepared which identify the activities to be performed and the costs identified with various levels of these activities. As decision packages and rankings were submitted to each successively higher level of administration they were reranked with all other decision packages submitted. The level of funding established for a particular budget period could then be used as a cutoff. The more important packages, which fall below the level of funding, were funded; all others were excluded [18:11].

As a systematic budgetary process, ZBB sought to improve the quality of management information which reached the unitary decision-maker. It enabled the executive to compare budgeted costs with actual expenditures for all programs in the organization. ZBB also required that a planning phase with explicit executive guidance preceded the budget formulation phase. Although the Planning, Programming, Budgeting

System (PPBS) established under the Kennedy Administration placed planning in the proper sequence, this was not the case in most budgeting systems. Planning and budgeting tended to go hand-in-hand. Another goal of ZBB was to formalize a "bottoms-up" budgetary approach. In this way low level management would be committed to implementing a budget which they had helped to build. President Carter hoped that ZBB would aid him in his promise to reorganize the structure of federal government, since comparison of decision packages would highlight duplication of effort. This goal was accomplished by ZBB in Georgia, he would point out when he discovered that seven agencies were responsible for the education of deaf children [9:3]. The major goal in the implementation of ZBB at the federal level was a more efficient allocation of resources. Each level of management would use this systematic technique to prioritize its requests for resources [8:12].

Historically, ZBB had met with mixed success. It had proved particularly useful, however, in organizations where a unitary decision-maker made final financial management and program direction decisions [3:9]. Unfortunately, there was no unitary decision-maker at the federal level who passed judgment upon thousands of decision packages. In the first place, the large number of decision packages were unmanageable. In Georgia, there were 11,000 of them. Setting aside four hours each day for two months, the Governor could average one

minute on each decision package. Since the DoD budget alone is 30 times that of the State of Georgia, how could an analysis of the merits of each package be made? There was not even enough time to read the packages [1:9].

This highlights the structural problem with ZBB implementation at the federal level. The federal budget process was a complex operation and depended on the decisions of two institutions involved in a Constitutionally mandated adversary process. The complete budget cycle depended on ultimate agreement between the President and the Congress, both of whom had different orientations and missions. Each decision package then had to stand on its merits in a complex process involving three governmental bodies (President, House, and Senate) and literally hundreds of decision-makers. In addition there was a wide variety of program, budget, and appropriation responsibilities exercised by various committees within these bodies, each representing different and often contrasting political interests [18:9].

ZBB techniques were first employed in the public sector in the Department of Agriculture in 1961. Under David Bell, Director of the Budget for the Department, and under a different name, ZBB proved a dismal failure. Because of inadequate planning, 180,000 man-hours were consumed in a six week period generating reams of poorly organized and largely neglected reports. Only 200,000 dollars worth of budgetary changes resulted from this effort [31:40].

ZBB in its present guise was instituted on the corporate level by Peter H. Pyhr at Texas Instruments. Some critics suggest that his reported success with ZBB is nothing less than fraudulent. Apparently ZBB was only installed in certain staff and research units, responsible for less than 25 percent of the company's annual expenditures. Judgement that ZBB was a success was only Mr. Pyhr's and was based on only one year's experience [1:9].

President Carter's claims of success at the state level in the public sector were similarly discredited in separate scholarly studies. Top level management in the State of Georgia disagreed with Mr. Carter's assessment of ZBB. Of the 13 Department heads interviewed, only two (15%) indicated strong support for ZBB. The others expressed dissatisfaction with the budgeting system. Eleven (85%) of the department heads felt that there had been no reallocation of financial resources with ZBB. ZBB's goal of increased involvement of lower echelons in the budgetary process met with mixed success. Only 52 percent of the budget analysts interviewed reported that their seniors became more involved than under the former incremental system [9:3]. Sixty-eight percent of the analysts credited ZBB with improving management information but only 7 percent perceived any shifting of financial resources as a result of the new system [9:6]. Apparently those most familiar with the Georgia implementation of ZBB felt that the system did not measure up well against its own goals.

Another indictment against ZBB was that it had not been utilized as intended to budget for the best programs consistent with the level of funding. According to ZBB theory, the level of funding established for a particular budget period was used as a cutoff. All programs which were above this level were not funded. During fiscal year 1974 there was an increase in the level of funds available to the State of Georgia. Instead of raising the level in the ZBB to include more of the priority ranked programs, Mr. Carter requested new decision packages from some of his departments. The following year the reverse situation existed and instead of lowering the cutoff to eliminate lower priority decision packages, Mr. Carter had each department submit a new ranking of decision packages based on a lower level of funding [9:8,9].

Zero-base budgeting has been imposed by Presidential directive on executive agencies for a period of four years now. No definitive study has been completed to analyze the effectiveness of this system. Users differed in their assessments. High level, Presidential appointees, naturally, supported the system. Those at the lower, operational levels tended to resist zero-base budgeting. They felt that the additional work and documentation required by ZBB was not compensated by budgetary savings. Indeed, many operational levels merely paid lip-service to ZBB only performing the reporting requirements.

Zero-base budgeting has received a broad base of support among users for one of its functions. The ranking system

used by ZBB has provided users with a better overall view of the implications of different budget decision options. Higher level budget personnel have been better able to understand the prioritizing of programs that were submitted to them for review. This benefit has proved particularly useful to political appointees whose familiarity with the federal budget process was limited by their short tenure. This ability to help the uninitiated may enable ZBB to survive a change in administrations.

E. THE CARTER STUDIES

On September 20, 1977 President Carter requested that the Secretary of Defense undertake a study of defense organization which would focus on three broad organization and management issues [13:1]. The first area of study was the overall organization of the Department of Defense and the relationships between subdivisions of that organization. This Departmental Headquarters Study (the Ignatius Study) was completed 1 June 1978. The second study, the Report on the National Military Command Structure (the Steadman Study), was completed in July 1978. This study was concerned with the specified and unified commands of the United States, their organization, interrelationships, combat readiness, plans, policies and performance. The final Carter Study concerned resource management. The Defense Resource Management Study or Rice Report as it became known, was concerned with PPBS, the defense acquisition process,

logistics support alternatives, personnel recruiting, and military health care.

The Ignatius Study focused on the organization of the Department of Defense, both the Office of Secretary of Defense and the military departments. Particularly noted were the relationships between the Secretary of Defense and the service secretaries. The general recommendation of the Study was to reduce the degree of centralization of power in OSD and to better utilize the service departments in the management of defense functions.

More specifically, the Ignatius Study recommended that: (1) the service secretary's authority and responsibility be more greatly recognized, concurrent with more explicit accountability, (2) there be established a more precise delineation of where OSD's responsibilities end and those of the military department begin, (3) the service secretaries and chiefs be given more opportunity to participate in policy making, (4) the Secretary of Defense and service secretaries become more directly involved in combat and material readiness reporting, and (5) existing staffs be used more flexibly to remove unnecessary layers of review and approval [13:26].

The Study went on to discuss six alternative approaches to the organization of the Department of Defense. The options ran from extreme change to evolutionary improvement. The first option was a massive decentralization which would substantially reduce OSD, leaving the military departments

generally free to manage their affairs under broad OSD policy guidance [13:33]. The second alternative was the reverse of the first: a massive centralization, eliminating the military departments [13:35]. The third proposal was a more subtle centralization, which would make the military secretaries Undersecretaries of Defense. This option would provide a single level of civilian authority with specific members of OSD responsible for the individual services [13:39]. The next option was termed selective integration and was aimed at reducing the layering of staffs. A full merger of the service secretary and service chief staffs provided the fifth option [13:47]. The final option, considered by the Ignatius Study, was continued evolutionary improvement. This option was endorsed as the one which would provide the most stability with change [13:49].

The Steadman Report presented a study of the National Military Command Structure (NMCS). The Report was divided into two broad areas. The first addressed the organization for war-fighting, including command and control of forces in the field. The second part of the study covered those aspects of the NMCS which related to policy, planning, and advice [20:4].

After discussing each of the specified and unified commands the Steadman Report offered minor recommendations for each of them. The Steadman Report then went on to discuss management of the specified and unified commands, especially

the roles of the Commanders in Chief (CINCs) and the Chairman of the JCS.

The Steadman Report found that each CINC believed that he had full operational command over all forces assigned to him. However, most CINCs had limited power to influence the capability of the forces assigned to them. The CINCs forces were trained and equipped by their parent services. The individual military departments controlled the flow of men, money and material to the CINCs forces. The Steadman Report recommended the need to have the CINCs more actively participate in the resource allocation decision process [20:34].

According to the Steadman Report, the CINCs needed a formal military spokesman in Washington. They should continue to be operationally responsible to the Secretary of Defense but a single military officer should be responsible for overseeing and directing the activities of the CINCs. The Steadman Report recommended that the Chairman of the JCS perform this function [20:34].

Another area which received considerable attention in the Steadman Report was the performance of the JCS and the Joint Staff. The performance of the JCS was found to be acceptable but extremely limited by the dual roles of its members [20:49]. The work of the Joint Staff was criticized because its argumentation and recommendations were usually negotiated to the extent that they were reduced to the lowest

common level of assent. The Report stated that consumers often found formal JCS positions "ponderous in presentation and wedded to the status quo" [20:52].

The final Carter DoD study was the Rice Report. This study focused on defense resource management. In particular, it focused on the resource allocation decision process (PPBS), weapon system acquisition process, logistics support of combat forces, career mix of enlisted military personnel, and the military health care system.

The Rice Study proposed to improve PPBS by having a combined program and budget review, which followed the planning phase. The goal of this change would be to enhance the opportunity to focus on major resource questions that could be authentically zero-based. Once these questions were satisfactorily settled they would be recorded and allowed to evolve incrementally without further complete annual revisions. The combined program and budget review would be managed by a new Defense Resources Board (DRB), chaired by the Deputy Secretary of Defense. The time in the annual cycle freed by the combined program and budget reviews would be used to focus additional attention on strategic and resource planning. Hopefully, the program and budget review could be closely related to the acquisition cycle. The only Rice recommendation adopted by DoD was the Defense Resources Board proposal [18:vii].

The Rice Report found no major deficiencies in existing policies and procedures of the DoD acquisition process [18:x].

It made several recommendations for increasing the effectiveness and efficiency of the process. The Rice Report stressed the need for DoD to exploit the fabrication and testing of experimental and prototype hardware in examining alternative system concepts, rather than rely on design studies and analysis [18:x]. Similarly, the Report supported field use of a limited production of new systems before higher rates of production are begun [26:xi]. In general, the Report recommended operational testing of actual equipment at each decision point in the acquisition cycle, before approval was given to begin the next phase.

Thus, it can be seen that the focus of management change in the 1970s centered on the major systems acquisition and budget cycle processes. The major systems acquisition cycle was altered to involve the Secretary of Defense more frequently and earlier in the decision-making process. The budget cycle was altered, giving Congress a stronger role in the budget process. The 1970s demonstrated that further change in defense management policy would probably involve alterations of systems and processes rather than organizations.

VII. CONCLUSIONS

The purpose of this chapter is to summarize, and put into perspective, the major trends in DoD organization and management policy which have evolved since 1947, and highlight some of the problems they have created. This discussion will focus on four key elements within the DoD: the Office of the Secretary of Defense; the military department headquarters; the Joint Chiefs of Staff; and the unified and specified command structure.

Since the original legislation authorizing a Secretary of Defense in 1947, that office has experienced considerable growth in size, capabilities and influence. Of special importance has been the tremendous concentration of power that has resulted, particularly with regard to control over the defense resource allocation process. This OSD domination of the systems acquisition and fiscal processes has been brought about through organizational as well as managerial innovations.

The evolution from an advisory Research and Development Board in the late 1940's to an Undersecretary of Defense for Research and Engineering in the late 1970's, the establishment of a Defense Comptroller in 1949, and the introduction of an Assistant Secretary of Defense responsible for analysis and evaluation in the early 1960's have been just a few examples of the organizational transformations that have had such

an important impact on this concentration of power. Managerially, the standardization of accounting and budgeting procedures by the Comptroller, the introduction of the Planning, Programming, and Budgeting System in the 1960's, and the formalization of the defense major acquisition process have provided the critical tools needed by the extensive OSD structure to effect centralized control over the defense establishment. The question that has been recently debated is whether or not the level of centralization achieved has become excessive.

The accumulation of power by the OSD during the past thirty years must necessarily have been accommodated by a corresponding loss of power by some entity elsewhere within the DoD structure. In fact, as has been seen, that power loss has been felt most acutely at the military service level. With the exception of the decision by the Eisenhower administration in 1953 to place the service secretaries in the operational chain-of-command, the role and authority of the civilian heads of the services have steadily diminished since the initial amendments to the National Security Act in 1949. And while this phenomenon has not gone unnoticed (it was highlighted by both the Blue Ribbon Defense Panel in 1970 and again by the Steadman Report in 1978), little if any, positive action has been taken to address the problem.

The other major source from which power has flowed over the past thirty years (although to a much lesser extent) has

been the JCS. From a position of exceptional influence during the 1940's, responsible for setting military priorities and formulating military budgets, the JCS has experienced considerable turmoil and loss of influence. Much of the turmoil has resulted from (1) an historic difficulty in determining just what function the JCS should fulfill; and (2) difficulty within the JCS itself due to the dual nature of the responsibilities of its members.

With regard to the former, the key issue has been whether the JCS should be primarily concerned with the development of long-range strategic plans, or whether their focus should be directed towards the day-to-day supervision of the nation's combat forces. It appears that the course of action that has evolved has been to simply assign to them both tasks, regardless of whether or not they are capable of both.

With regard to the latter difficulty, the inability of the JCS as a corporate body to provide timely and useful advice to the Secretary of Defense on issues relating to the allocation of scarce resources to competing alternatives, especially when those alternatives involve the taking of resources from one service and giving them to another, has for the most part relegated that body to the role of observer in the defense resource allocation process. An unfortunate consequence of this situation has been a rather limited role for the commanders of the unified and specified commands in the resource allocation process.

As has been presented in the body of this paper, the unified and specified command structure was formally established as a result of the 1947 National Security Act and evolved out of the command structure of World War II. While the basic structure has undergone some minor revisions since its inception in the later 1940's, it has remained fairly stable since 1958. The arrangements settled upon in 1958 assigned to the military services the responsibility for developing and maintaining the necessary combatant forces. The unified and specified commands, under the supervision of the JCS, were assigned the responsibility for planning for the employment of those forces, and for executing those plans when directed by competent authority. If the unified commanders were to have any significant influence on the development of the forces upon which they must depend to execute their plans, that influence had to be exerted through JCS. Thus, the influence of the unified commanders on the resource allocation process was directly related to the level of influence that the JCS could bring to bear on that process. As has been demonstrated, that influence has been tenuous at best.

In conclusion, the defense establishment has evolved organizationally and managerially over the past thirty years. While there has been at least three major DoD organizational studies conducted in the past twenty years, none has produced any significant changes. Instead, the past twenty years have

been characterized by a revolution in management techniques designed apparently to bring about what the organizational changes of the first ten years could not. It appears, then, that while the existing management structure in the DoD has not been totally satisfactory, future efforts at improvement will most likely result from continued innovation in management techniques, and not from dramatic organizational change. The interesting question that remains is whether or not this type of change will be sufficient.

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