

DEFENSE REFORM INITIATIVE OFFICE

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Defense Reform Initiative Office

I. ORGANIZATION AND MANAGEMENT

A. ORGANIZATION

1. Mission Statement and Goals. The Defense Reform Initiative (DRI) was begun in November 1997 to pursue fundamental reform in how the Defense Department conducts business. The Defense Reform initiative seeks to aggressively apply to the Department those business practices that American industry has successfully used to become leaner and more flexible in order to remain competitive. The resulting savings will help fund the "Revolution in Military Affairs," including the development and procurement of a new generation of information-based weapons systems needed to ensure American military superiority in the future. Equally important, the Defense Reform Initiative is aimed at ensuring that DoD support elements are agile and responsive enough to support the warfighters, who are applying new technologies to change the way they fight.

The Defense Reform Initiative was founded on four pillars: (1) **reengineer** by adopting the best private sector business practices in defense support activities; (2) **consolidate** organizations to remove redundancy and move program management out of corporate headquarters and back to the field; (3) **compete** many more functions now being performed in-house, which will improve quality, cut costs, and make the Department more responsive; and (4) **eliminate** excess infrastructure.

The scope of the DRI has broadened over the last three years while the priority and need for reform is unchanged in its importance. The four original pillars have evolved and reform efforts in the Department are now organized around our major business processes: Quality of Life, Financial Management, Competition, Infrastructure Reduction, Acquisition, and Logistics. No matter the structure, the purpose and underlying principles of the DRI remain the same: to provide a consistent point on the horizon toward which the DoD leadership can steer as they move on the road to reform.

2. Organizational Structure and Its Functions. Only two formal organizations were created to support the Defense Reform Initiative: the Defense Management Council and the Defense Reform Office.

The **Defense Management Council (DMC)** was established in winter 1998 as the "Board of Directors" to oversee the continued reengineering of the Department of Defense. The DMC ensures that reform initiatives directed by the Secretary of Defense are carried out, recommends reforms to the Secretary, and reviews the Defense agencies' performance contracts. The DMC is a first - an attempt to create a board of Directors of the senior military and civilian leadership of the Department to

provide direction on a range of critical reform and reform-related issues. The Deputy Secretary of Defense chairs the DMC and membership includes:

- Under Secretaries of Defense for
 - Acquisition, Technology, and Logistics
 - Policy
 - Comptroller
 - Personnel and Readiness
- Vice Chairman of the Joint Chiefs of Staff
- General Counsel
- Assistant Secretary of Defense for Command, Control, Communications and Intelligence
- Under Secretaries of the
 - Army
 - Navy
 - Air Force
- Vice Chiefs of Staff of the
 - Army
 - Air Force
- Vice Chief of Naval Operations
- Assistant Commandant of the Marine Corps
- Director of Administration and Management
- Director, Defense Reform Initiative

The DMC members established a Coordinating Group or CG as their staff arm for reform issues. The CG consists of primary and alternate members representing their respective DMC principals.

The **Defense Reform Office** was created in May 1998 to provide executive leadership to all levels of DoD management in support of the implementation of state-of-the-art business practices under the DFI. The office facilitates and promotes timely, cost-effective, and integrated reform activities. In addition, it articulates Secretary and Deputy Secretary of Defense commitment to, and future vision of, overall goals of, defense reform. The office reports directly to the Deputy Secretary, and the Director is a political appointee. The office is staffed with rotating representatives from each of the Services, the Joint Staff, and several Defense Agencies.

B. MANAGEMENT

1. Chain of Command. The Deputy Secretary serves as the champion for reform in the Department on a daily basis. Because his authority extends across the whole Department, he chairs the Defense Management Council, which has met approximately once a month since its creation, and the Defense Reform Office reports directly to him. The Deputy Secretary has met weekly with the Director and Deputy Director of the Defense Reform Office to receive a status on reform progress.

2. Regulatory Authority. Over the last three years, the Deputy Secretary of Defense has issued 117 Management Reform Memoranda and 54 Defense Reform Initiative Directives covering a wide range of issues with requirements for action, review, and reports regarding implementation by various organizations in the Department. A Program Budget Decision or PBD followed any memorandum or directive requiring resources.

C. EXTERNAL PROCESS

1. Executive - Key Interagency Relationships. The White House took an interest in the progress of the Defense Reform Initiative and often asked for updates, especially the Vice President's office and the Office of Management and Budget. The Defense Reform Office also shared DRI progress with other executive branch agencies.

2. Congressional.

a. Key Committee: House and Senate Armed Services Committees

b. Critical Reports to Congress: Not Applicable

c. Pending Legislative Issue: The DRI does not propose or pursue legislation; these responsibilities remain with the Office of Primary Responsibility (OPR). However, many DRI efforts are connected to legislative action, e.g., BRAC, housing improvement and utility privatization. Currently, no initiatives for the DRI are tied to pending legislation.

II. BUDGET

A. Budget Overview: The DRI was officially stood up in FY1998. The DRI budget is in accordance with PPBS. The Future Years Defense Program for DRI is projected from FY2002 through FY2007.

B. Budget Detail: DRI budget line items include studies and analysis, communications, metrics generation, business seminars, annual progress reports, and travel. The DRI budget throughout the FYDP totals \$10.2M. There are no civilian personnel costs associated with the DRI budget. The eight member staff supporting the DRI's efforts are detailed from other Services or Agencies for a period of six months to two years.

C. Budget Trends: The primary trends in the DRI budget have been to emphasize the continued development and review of metrics to measure results of the initiatives, and to concentrate on the adequacy of today's business processes and policies to support the warfighter in future conflicts.

D. Budget Issues: The primary budget issue for the DRI is to ensure Defense Reform be given permanent status in the Defense budget to introduce state-of-the-art business practices into the Department, to monitor progress and recommend remedies as necessary. Permanent status would ensure awareness and give focus to the continued need for reform in Defense. Another high priority budget issue for the DRI is the lack of funding for permanent staff. A permanent staff would provide continuity, greater depth, and impetus to Defense Reform efforts.

III. PERSONNEL

A. SUMMARY OF STATISTICS

The Defense Reform Office has had two Directors since May 1998. The Deputy Director is a member of the Senior Executive Service and has been with the office since its creation. Her billet is held by the Director, Administration and Management. Over the last three years, the office has had six action officers at the GS 14/15 or O-5/6 levels at any given time. These action officers come from the Services, the Joint Staff, and several of the Defense Agencies. Their tour with the office has ranged from six months (Joint Staff) to two years (Air Force). The office also has an Administrative Assistant.

B. PERSONNEL MANAGEMENT ISSUES

There have been three complete turnovers in action officer staff since May 1998. Without a permanent staff, the office cannot adequately provide the needed continuity, depth, and impetus to Defense Reform efforts. Details either need to be in the office for a two year period, or Defense Reform needs to be allowed to fund for permanent staff.

IV. POLICY/ISSUES

- A. Overview of the Policy Development Process. The DRI does not develop policy but participates in, and reviews policy for areas of improvement. DRI is tasked to bring about reform throughout the DoD and consequently is concerned with policy.
- B. Major Policy Issues requiring attention in the next few months. Listed below are a combination of policy and other reform issues which are considered of a critical importance in the next few months:
- Financial Management must continue towards developing fully auditable financial statements and look to modernize the feeder systems.
 - Logistics transformation requires resourcing to implement the strategic vision.
 - Acquisition reform needs to institutionalize the recently approved 5000 Directive and maintain or increase the rate of reform.
 - At least two more rounds of Base Closure and Realignment or BRAC are needed to reduce the infrastructure costs to DoD and allow for greater operations and weapons support.
 - Fuller implementation of the Clinger-Cohen Act, including Chief Information Officer functions.