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Rumsfeld's Revolution at Defense

PAUL C. LIGHT

Whatever his legacy as an architect of the war in Iraq, Defense Secretary Donald Rumsfeld has already earned a place in American bureaucratic history as one of its most ambitious organizational reformers. Rumsfeld is determined to complete a top-to-bottom overhaul of his department before he leaves office.

Rumsfeld may be one of history's most ambitious reformers, but his actual impact is far from assured. He still faces intense resistance from the armed services, especially the Army, which has the most to lose in the movement to a much lighter military. And many of his proposals are either still under consideration in Congress or only in the early stages of implementation in the department.

This is very much Rumsfeld's revolution to win or lose—it is highly dependent upon his congressional support, which has ebbed and flowed with the fortunes of war, on the urgency of the war on terrorism, which continues to fade with memories of September 11, and on his relationship with the armed services, which has been shaken by the controversy surrounding the equipping of U.S. troops in Iraq. It also depends on his public reputation, which has dropped in the wake of the prison abuse scandals at Abu Ghraib and Guantanamo Bay. In October 2001, for example, the Harris Poll reported that 78 percent of Americans rated Rumsfeld's job performance as excellent or pretty good; by June 2005, the percentage had fallen to just 42 percent.

INTRODUCTION TO THE REVOLUTION

Rumsfeld announced his commitment to a revolution in military affairs in his 2001 confirmation hearing before the Senate Armed Services Committee. In a harbinger of rhetoric to come, he not only refused to rule out another round of military base closings, but he also announced his intention to reform the military acquisition process, which he declared ill-suited "to meet the demands posed by an expansion of unconventional and asymmetrical threats in an era of rapid technological advances."

Rumsfeld's revolution was not entirely new, however. On the war-fighting side, where my Brookings Institution colleague Michael E. O'Hanlon has written so persuasively, the movement toward a high-speed, information-

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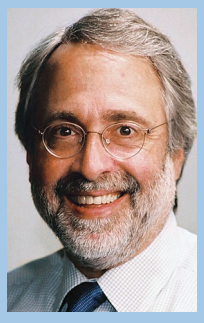

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driven, readily-deployable expeditionary force was already emerging late in the first Bush administration, driven in part by lessons learned in Somalia, the first Gulf War, and over the skies of Kosovo. Moreover, as O'Hanlon writes, Rumsfeld's wish list of new weapons drew heavily on the Clinton administration's agenda, albeit with the notable exception of renewed funding for the Reagan administration's space-based missile shield, better known as "Star Wars."

On the bureaucratic side, the Clinton administration led the downsizing of the military, civilian, and contractor workforce that followed the end of the Cold War, and spearheaded the procurement reforms that Rumsfeld has often celebrated; they were begun early in the reinventing government campaign led by Vice President Al Gore. In addition, the Defense Department was well underway with its outsourcing agenda before 2001, and was one of the very few federal organizations to conduct the job competitions that have become a centerpiece of the current administration's management agenda.

Although he sometimes neglects this history in making the case for action, Rumsfeld is quite right that the revolution took on new urgency in the days and weeks after the September 11 terrorist attacks. And he does deserve credit for harnessing that urgency to force a long-overdue confrontation with what he calls "an era of the unexpected and unpredictable." Focusing on the increased threat from lightly armed, highly agile adversaries in the war on terrorism, Rumsfeld began converting the rhetoric of revolution into a new reality in both what the military delivers and how it delivers it.

BLUEPRINT FOR CHANGE

There is an organizational method in Rumsfeld's revolution. Although he started his second tour of duty as secretary by reminding reporters that normal management techniques rarely work in the Defense Department, Rumsfeld is actually following the same organizational principles that I write about in *The Four Pillars of High Performance* (McGraw-Hill, 2005), and that have allowed private companies such as Intel, Marriott, Proctor & Gamble, and Volvo to compete against their agile adversaries. In a word, he is building what may well be the world's largest robust organization, meaning one that is well hedged against vulnerability, yet well prepared to exploit opportunities for gain.

The outline was clear in the 2001 Quadrennial Defense Review. Although similar to its 1997 predecessor, Rumsfeld reframed the introduction as a clarion call to action against the new uncertainties embedded in the war on terrorism: "We cannot and will not know precisely where and when America's interests will be threatened, when Americans will come under attack, or when Americans might die as the result of aggression. We can be clear about trends, but uncertain about events. We can identify threats, but cannot know when or where America or its friends will be attacked. We should try mightily to avoid surprise, but we must also learn to expect it.

It is one thing to imagine an organization able to tolerate, even embrace uncertainty, and quite another to design and create it. Whether he knew it at the time or just sensed it, Rumsfeld has focused on four specific attributes, or pillars, of organizational robustness: (1)alertness to the futures ahead, (2)agility in how the department responds to threats and opportunities, (3)adaptability in what the department actually does, and (4)alignment around a clear mission.

Rumsfeld's first pillar of a high-performing department is alertness to the uncertainty that surrounds all organizations today. Instead of preparing for a handful of possible futures, Rumsfeld wants the military to prepare for a landscape of hundreds, if not thousands of futures. He also wants the military to stop training for threats that no longer exist, such as the long-anticipated Soviet invasion of Western Germany, and start concentrating on developing the capability to move against a variety of new threats, including wars in space.

Rumsfeld's second pillar is agility, which resides in a much more flexible military and civilian workforce. He also wants the military to be ready to go anywhere on a moment's notice, which means increased mobility. That means faster ships, new fighting vehicles, and a much more responsive civil service. It hardly makes sense to prepare for a thousand futures if the military can only move towards one or two. "When we say 'agile' some people seem to think it means making the military 'smaller,'" Rumsfeld explained in his recent Senate Armed Services Committee testimony. "It does not. It is the shape of the forces, not the size that is the impetus for making needed changes."

Rumsfeld's third pillar is adaptability, which involves a range of new operating protocols, increased investment in research and development, and more flexible personnel and administrative systems. This adaptability involves much more than weapons modernization. As Rumsfeld explained last February, adaptability also involves the capability to move quickly to meet unexpected threats. Whereas the Air Force and Navy used to plan the number of sorties per target, they now plan targets per sortie, Rumsfeld explains. Whereas the Navy used to deploy ships on a rigid, six-month schedule, it now maintains a surge capability to move five or six carrier strike groups into combat in 30 days, with another two available for action 60 days later.

Rumsfeld's fourth and final pillar is alignment around a clear mission. He wants the military to be able to assemble and reassemble forces and weapons as adversaries exploit new vulnerabilities, which requires tight alignment across blended fighting units. Hence, his focus on joint operations across the services and among allies.

A REVOLUTION IN PROGRESS

The transition to this robust organization has been anything but orderly. The war in Iraq has stretched the military severely, and has raised questions about the basic assumptions

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undergirding Rumsfeld's limited-engagement model. Rumsfeld has also faced blistering criticism from Congress and federal employee unions as he has moved ahead on administrative reforms and base closings.

Nevertheless, the transition is well underway, driven by Rumsfeld's consistent focus on what past secretaries generally considered as mundane, and ultimately unchangeable, administrative details. Supported by a cast of outside experts such as retired Goldman Sachs chairman Steven Friedman, who spent the first six months of 2001 developing the plans for financial reform, and the RAND Corporation's David Gompert and David Chu, who helped shape the early outlines of the administrative reforms, Rumsfeld has been unwavering in his focus on often-neglected management systems.

Rumsfeld moved quickly following September 11 to reframe the Quadrennial Defense Review as part of the new war on terrorism, pushing hard for a new generation of "modular" combat units heavy enough to sustain combat over time, yet light enough to be packed into transport aircraft for quick movement. Although the Army had already begun work on this piece of the transformation under its chief of staff, Gen. Eric Shinseki, Rumsfeld increased the implementation pressure dramatically.

Rumsfeld also pressed Congress and the president to adopt a cake-and-eat-it-too budget that would allow the military to fight two more traditional regional wars, even as it mastered the kind of limited engagement the Bush administration originally imagined in Iraq. With $20 billion annual increases planned through 2009, Rumsfeld's budget ended what O'Hanlon calls the "procurement holiday" that followed the Cold War, which in turn ended the "personnel holiday" that had shaved nearly 2 million full-time-equivalent jobs from the uniformed military, civil service, and contractor workforces between 1990 and 1999. The peace dividend in military spending and personnel was clearly over.

Rumsfeld moved even further in 2002 when he urged military leaders to start thinking like venture capitalists and invest in new technologies such as unmanned aerial vehicles, space-based weaponry, and information warfare. Suddenly, honored weapons such as the M1-Abrams battle tank were somehow considered irrelevant to modern war, while boots on the ground were considered less important than precision weapons in the air.

Yet, Rumsfeld was determined to make the transformation stick. Many of the generals and admirals who thought they could outlast Rumsfeld's search for what some called "immaculate warfare" are now in retirement. He also replaced one of his strongest supporters of reform, Army Chief of Staff Gen. Eric Shinseki, in 2004, after a public disagreement over the need for more troops in Iraq. In appointing retired Gen. Peter Schoomaker to the post, Rumsfeld passed-over an entire generation of active duty officers, suggesting that

support for his war plans was more important than his bureaucratic revolution.

Rumsfeld opened a new front in 2003 when he convinced Congress to replace the department's antiquated personnel system in favor of a streamlined pay-for-performance approach that gives managers much greater authority to reward and discipline more than 600,000 civilian employees. Although federal employee unions fought the changes hammer and tong, even their own members complained about the sluggish hiring process, the inability to discipline poor performers, the hyper-inflated performance appraisal process, and the layers of bureaucratic excess.

Throughout the period, Rumsfeld continued to push for increased outsourcing, especially in basic administrative services such as information technology, security, and maintenance. "Why is the Defense Department one of the last organizations that still cuts its own checks?" he asked in 2001 in a harbinger of contracting-out to come. "When an entire industry exists just to run warehouses efficiently, why do we still own and operate so many of our own? At bases around the world, why do we pick up our own garbage and mop our own floors rather than contracting those services out, as many businesses do?"

Rumsfeld also continued to streamline the defense hierarchy. By 2004, the number of senior executives, both political and career, at the top of the hierarchy had fallen 21 percent from 361 to 284, including an entire layer of assistant under secretaries—all but one assistant deputy assistant secretary—and roughly two-thirds of principal deputy assistant secretaries and assistant deputy under secretaries.

Rumsfeld returned to the revolution in 2005 with a new round of military base closings, which include venerable institutions such as Walter Reed Medical Center, Ellsberg Air Force base in South Dakota, and the Portsmouth Naval Shipyard in Maine, as well as a massive restructuring of forces abroad. Technically, the reductions were only a recommendation to the nine-member, independent Defense Base Realignment and Closure Commission, and involved a list of targets that have been rumored for years, they clearly reflected Rumfeld's image of a streamlined military.

Under the Pentagon's proposal, 33 major bases will be closed, another 22 will be realigned around new missions, and more than 800 smaller installations will take budget and/or personnel cuts. All totaled, more than 200,000 military and civilian employees will move to new locations, while 18,000 will lose their jobs altogether. Alongside the base closings and realignments, the Pentagon also recommended a massive consolidation of the Defense Finance and Accounting Service, which will fold 23 domestic facilities into just three.

Although the domestic closings have received the greatest congressional attention, Rumsfeld has also moved ahead with a sharp realignment abroad, which one of his key aides describes as like playing "three-dimensional chess." With 70,000 troops and 100,000 dependents scheduled to come home,

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Rumsfeld has angered allies in Germany, Korea, and the United Kingdom as he seeks to reposition forces to new "lily-pad" bases that can serve as staging points for quick engagements in the Middle East and Central Asia.

A REVOLUTION AT RISK

Rumsfeld's plans are hardly perfect. He has taken criticism for sending an under-equipped, under-trained fighting force to police post-war Iraq, and has managed to anger most members of Congress with his base closing plans (which is, of course, part of the strategy for winning approval of the entire package).

More to the point of organizational reform, his plans for greater alertness remain mired in the turf wars that led to the creation of an intelligence czar to coordinate the nation's 15 intelligence agencies. Although troops will clearly have greater access to battlefield information under Rumsfeld's revolution, it is not clear that the Defense Department is any better equipped to connect the "dots" about unpredictable adversaries. Having opposed the new czar, Rumsfeld has yet to show much interest in sharing his dots at all.

Rumsfeld's plans for greater agility also remain awash in outmoded legacy systems that have been slow to change. According to the Government Accountability Office (GAO), which is Congress's oversight agency, the Defense Department (DOD) now accounts for seven of the federal government's 24 high-risk management areas, two of which were added in 2005. "GAO has reported on inefficiencies and inadequate transparency and accountability across DOD's major business areas, resulting in billions of dollars of wasted resources," the January 2005 update from the GAO's High Risk Series concludes. "Senior leaders have shown commitment to business transformation through individual initiatives in acquisition reform, business modernization, and financial management, but little tangible evidence of actual improvement has been seen in DOD's business operations to date."

It is also difficult to imagine greater agility unless the military is able to improve its success rate meeting its recruiting targets. Although part of the problem is driven by the extended tours of duty in Iraq, declining success rates also reflect increased competition for talent in hard-to-recruit skills such as information technology, which are essential for a robust military. Ironically, at least some of the competition is coming from the firms that have gained ground through Rumsfeld's outsourcing initiatives, a point well made by Peter W. Singer, another of my Brookings colleagues, in his work on the privatization of war.

At the same time, it is not clear the department can afford to buy the kind of equipment needed for a more adaptable force, which is why O'Hanlon recommends a partial slowdown in the purchase of new systems that would allow "a more patient and selective strategy of modernization." Rumsfeld may yet be forced to choose between a missile shield in the heavens and the equipment needed to mount successful campaigns down here on earth. Recent coverage of the now-cancelled $23.5 billion lease of refueling

tankers from the Boeing Company also suggests that the department's acquisition workforce does not suffer from a lack of "adult supervision," as Rumsfeld said earlier in the scandal, but from too much interference, perhaps including some from the White House itself.

Indeed, even if the department could afford the more than 80 new weapons systems under development, its acquisition offices remain dangerously understaffed, leading to repeated cost overruns. Much of the problem began with the Clinton administration's "reinventing government" campaign, which targeted "control units" such as acquisitions, budget, policy analysis, and personnel for cutbacks. "We're No. 1 in the world in military capabilities," GAO's David M. Walker recently told Congress. "But on the business side, the Defense Department gets a D- giving them the benefit of the doubt. If they were a business, they wouldn't be in business."

A similar slowdown may also be needed for successful implementation of the new personnel system. Having grown up in the old system of automatic pay raises and inflated performance appraisals, the department's managers and supervisors will need help learning how to handle their new flexibilities without violating employee rights. With the first 60,000 civil servants about to enter the new National Security Personnel System, and another 240,000 to follow within two years, the lack of training may soon place the effort on the GAO's high risk list.

Finally, it is not clear that the department is well aligned around Rumsfeld's vision. According to my surveys of defense employees before and after September 11, the civilian workforce still has serious concerns about access to basic resources such as training and levels of bureaucracy within their units. The defense workforce clearly feels the urgency—interviewed in late spring 2002, 63 percent of defense employees said there was more of a sense of purpose at the department since September 11, compared with just 35 percent among other federal employees. But the same employees also noted frustrations in contributing to the mission, increases in layers of supervisors, and overall morale.

These employee attitudes suggest that the department's civil servants may be suffering from the same stress and overload now reported in the military. It is hard enough to mount an organizational revolution under the best of circumstances, but much harder if the employees themselves simply cannot keep up. Although urgency is essential for driving change forward, there can be too much of a good thing. Organizations can only tolerate so much reform at any one time.

RUMSFELD'S FUTURES

Rumsfeld has made a very large organizational bet against the many futures his department and nation face. It is a bet on light forces instead of heavy, mobility instead of endurance, and precision instead of predictability. As Gen. Gordon Sullivan, retired Army chief of staff, said in June 2001, Rumsfeld's strategic philosophy was based on "the easy but erroneous conclusion that by spending hundreds of

billions of dollars weaponizing space, developing a national missile defense, and buying long-range precision weapons, we can avoid the ugly realities of conflict."

The point is being made every day in Iraq, where U.S. forces are bogged down in what looks to be a long engagement. In a sense, Iraq reflects the contest between Rumsfeld the bureaucratic reformer and Rumsfeld the war-fighter. The reformer wants speed, agility, and lightness, while the war-fighter has led U.S. forces into an indefinite battle that relies, to a notable extent, on endurance and armor for its success. As a result, Rumsfeld may be remembered as one of the boldest bureaucratic reformers of his generation. Whether he will also go down in history as one of the greatest secretaries of defense remains to be seen.

For good or ill, the country will have to live with Rumsfeld's revolution for a long time to come. If Rumsfeld's revolution takes hold, he will have built an organization with the capacity to move quickly in response to new threats. The question is whether it will still be able to respond to the "old" threats lurking in the shadows of past adversaries such as Russia and China. If those threats reemerge, as well they might, the department will need enormous capacity to respond—not an easy task if the Iraq war drags on.

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