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Testimony

Before the
Senate Budget Committee

Department of Defense Reform

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Testimony of the Honorable John H. Gibson, II on Department of Defense Reform to the Senate Budget Committee, March 7, 2018

Thank you Chairman Enzi, Ranking Member Sanders, and other members of this committee for the opportunity to testify today regarding the aggressive work we are doing to bring greater efficiencies to the business operations of the Department of Defense.

Any organization which receives capital for its business has a fundamental responsibility to execute in the most effectual manner. Given the American taxpayer has provided the capital to fulfill our mission, we have the highest level of fiduciary responsibility to continuously execute our operations in the most efficient and effective manner. Thank you for the Committee's hard work to establish the two-year budget deal.

Secretary Mattis has outlined the three main lines of effort for the Department of Defense. Build a more lethal force, strengthen traditional alliances while building new partnerships, and reform the Department's business practices for performance and affordability.

It is the responsibility of the Chief Management Officer of the Department of Defense to execute the third line of effort: reforming business operations for solvency and security, gaining full benefit from every dollar spent.

Looking forward, the Department is not anticipating funding above the outyear levels in the FY 2019 budget and in order to fund incremental resources the military needs to achieve its mission requirements, we must lower our cost of operations to yield these resources. The global challenges to our military remain significant and to best equip our men and women in uniform to meet their mission we must consider significant reforms in the Department.

Foundational to our vision of success in this area is the establishment of a culture of performance and productivity on an enduring, institutionalized basis. This work we are all doing today becomes a benefit for the next generations of leadership and warfighters to come.

We are generating additional resources through efficiencies by focusing on three main areas: shared or common services; enterprise-wide data and cost information; and the efficient and effective alignment of the enterprise.

We have begun the effort in shared services by forming integrated, subject-specific teams to identify, vet, and implement immediate efficiency opportunities in their respective areas. Knowing the challenges to any significant reforms, we are consistently fostering a sense of urgency, maintaining leadership alignment at all levels, communicating a consistent message, proactively removing obstacles, driving immediate wins, and working to anchor all of this in long-term behavior and culture.

As we implement the reform efforts, we are comfortable incorporating the "fly, test, fly" operational tempo to allow us to pilot, learn, and scale in each of these areas.

Fundamental to institutionalizing this effort is governance and management. We have formed the Reform Management Group to guide these multiple efforts. This integrated, cross-functional group leads dedicated teams and fosters ongoing working relationships, aligning all the stakeholders involved in the reform efforts. As our processes mature, we will form an integrated management board. This board will utilize relevant, standard measures and goals, coupled with the authorities to manage, enforce, and institutionalize a culture of performance and productivity with the goal of continuous improvement in our business operations.

The reward process is essential to success and the primary incentive to change behavior. Typically, in the Department efficiency efforts are stimulated by need to backfill budget cuts. Our current approach is to drive and incentivize operating and financial efficiencies by measuring, tracking, and reporting performance and outcomes. We will then return the savings generated to the military departments to reinvest in higher priorities, and hold those people and organizations accountable. We will need your input and assistance in refining, implementing and executing as we further develop the mechanics of the reward process.

Quality data is essential to good decision making and we are working to improve the infrastructure to host, and make available timely, accurate, and relevant data across the enterprise. Additionally, we are constructing a consistent framework that reflects cost data and analytical tools to support efficiency-driven decisions throughout the Department. In both efforts, we are working closely with the Under Secretary of Defense for Comptroller to achieve success.

The financial audit the Department is undertaking is a tremendous tool and serves as an invaluable piece of our reform efforts. The audit process will improve the quality of our organizational and financial data, which is essential to making good business decisions. The audit will also reveal business systems and processes which need to be reformed and can be incorporated into our ongoing reform efforts. By improving these business processes we drive improved operational measures such as timeliness, productivity, and simplification. Many of these processes will have direct, positive impacts on lethality.

The third line of effort is the efficient alignment of the Department. Many of the Defense agencies and Field Activities have been in place for decades and we have the opportunity to look at the end-to-end processes in major areas of operation and align all of the participants in the most efficient manner. We intend to include and leverage leadership from the military departments and the major mission areas such as Acquisition, Information Technology, Intel, Personnel and Readiness, Financial Management, Research, and Policy as part of this process.

A basis for evaluation to all our projects is establishing benchmarked private sector measures, setting goals, and then tracking and reporting our performance.

In addressing any of our reform projects, we are also looking outside of the Department for further value by incorporating the whole-of-government as a marketplace and seeking to leverage private sector sourcing at an even higher level.

As our efforts progress, we will be looking to Congress as a source of support. Just as with a board of directors, we believe Congress can be our partner, understanding the shared risk in this

incredibly robust and aggressive work. We intend to keep an ongoing dialogue on our plans and progress and will be seeking your input, feedback and assistance as some of our objectives will require mutual actions to achieve our goals.

As the Chief Management Officer of the Department of Defense, I consider Congress to be my board of Directors. Therefore, I welcome the opportunity to begin our dialogue on the substantial efficiencies efforts in the Department, and I welcome your questions.

With me is Comptroller David Norquist, who will speak to the Department of Defense Audit.