

DEFENSE MANAGEMENT

Have to start topic with Robert McNamara-----The McNamara Revolution, the attempt to manage defense department.

Robert Strange McNamara the 7th Secretary of Defense, the one with the longest tenure, biggest impact. Liberals hate Nixon; Conservatives hate the Clintons, the Mil Industrial Complex hates McNamara (soon Rumsfeld ?)---still editorials against him 35 years after he left office.

Towering figure worthy of first class biography:

- Berkeley
- HBS
- WWII Tex Thorton (Litton) Whiz Kid
- Ford/Edsel
- Ann Arbor
- Kennedy pick, Johnson keep—KUKD kind of guy
- Vietnam
- World Bank afterward---less successful but just disliked there
- Strange personal life

Need to go back to Eisenhower to understand. Fight over new technology after WWII/roles and missions, national strategy:

Revolt of Admirals, the famous fight between the B-36 and the Super Carrier

Korean Buildup – budget 4X in 3 years, 1.5 mil to 3.6 mil

Eisenhower---expectation of long Cold War, desire to avoid breaking bank
 Goes for massive retaliation—The New Look
 Cheaper but Big crush of projects---bombers, missiles, nukes
 USAF gets 50% defense budget =1 M, squeeze conventional forces
 Navy goes for Polaris
 Army has "Revolt of Colonels"; marries the Democrats

1960 Election "Missile Gap" Strategic critique calls for "Flexible Response."

The need for a credible response
Vietnam/ and no measure of strategic fit

Critique broader -----included argument that DOD needs to be managed. Eisenhower, they said, imposed a budget ceiling, allowed the services to divide the pie and ignore common missions (the Servicemans argument). Bad management.

Secretary of Defense needed to be **Leader not Judge**

Thanks to 1958 Amendments had the authority, but not the tools or will

- no central planning
- no calculus of need
- no incentives for efficiency

Three parts to reform:

1. Need, not a ceiling ----Planning, Programming and Budgeting System PPBS
2. New way to make decisions -----Systems Analysis
3. Incentives for Efficiency-----Procurement Reform

1. PPBS-----long origins--- Hoover Commission and early public administration theorizing.

look for multiyear commitment—five year defense plan
make output oriented decisions---decide on all strategic forces
tie forces to missions----put likes together
make comparisons----use systems analysis
make decisions in logical sequence

Where is Congress in all of this?

Congress wants line items to control (pork, earmarks)

categories not meaningful---conventional forces

2. SYSTEMS ANALYSIS-----ops research in WWII

cost effective ---- effective in terms of whose goals, efficiency for what?
systematic, quantitative, common sense

selective application --- not POLARIS, not Vietnam

Real purpose is to legitimize Administration's decisions; Eisenhower not just 5 stars but had a political judgement to make ---Military can't really challenge;

Kennedy Administration said no ceiling----how then to limit the budget?

SYSTEMS ANALYSIS

It is your tool, your language --can't stop military with ceilings so challenge them on military grounds but with new language. Drives military to distraction. They are the experts but don't know language. Hate the practitioners. Military Learns the language.

Security Studies and PA&E; What do we need?

Rumsfeld and TRANSFORMATION?????

- Technology
- Way to fight
- Way to control decisions

3. PROCUREMENT REFORM

Incentive Contracts----give incentives to pick right trade offs, but military preferences different from McNamara.

TFX joint procurement Navy hated---Boeing won, but McNamara overruled. Boeing essentially left business.

Total Package Procurement----to avoid buy-ins, optimistic estimates and overruns, Get Wells. Have a competition at point where system is being put together for the whole deal.

Services outlast the Secretary. Companies know that government (or at least the Services) wants the stuff. Can threaten to go out of business---close plants. Congress/Administration will save them.

Fly before you buy. Avoid concurrency. Avoid Fixed Price contracts. Bargain.

But this is good only until next cycle.

Best thing is to commission a study, blame last administration, make up a set of slogans for an old and failed set of ideas and kick the can down the road.

Can you manage DOD?

Ask Harold Brown: Not really. It's not a Company; it's your Country!

- Can't Measure Output-----wars rare, full tests, what is military efficiency?
- Big Conflict Over Goals-----what is our strategy? Contextual goals matter.
- Very Complex Organization-----1.5mil, 800 K reserve, 600 K civilian, 2 mil contractors, 2mil dependants/
- Very Political----Who gets to be Secretary/ Assistant Secretary; people care about getting "their" share, their time
- Organizational Life Very Important----want golf course, bases in warm places etc, retirement, PX

Has anyone done well?

Melvin Laird? Let services decide cuts.

Weinberger? Reagan's Plan--- Cut taxes, Raise Defense, Cut Social Programs (or let deficit cut them). Sound familiar?

Rumsfeld? What is his legacy going to be? Disrespect, More regulation

Core Problems: Gensler

Over-management----unavoidable, Congress/Administration/Military

No long-term Planning----can there be? What is the threat?

No control over rewards and punishments-----it is government. Head of Raytheon gets \$7Million.