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Jerry L. McCaffery and L. R. Jones

ABSTRACT

In this article we conduct a process analysis to assess evidence to test the following hypothesis: that the complicated architecture and processes of national defense planning, programming, budgeting and execution and the defense acquisition decision system lead to unintended and negative consequences for defense acquisition and procurement. The purpose of this article is to identify key points of linkage weakness or failure between Department of Defense (DOD) financial management and acquisition decision systems. We first describe the PPB system and decision process. We then provide an analysis of recent changes to PPB. Next, we describe the Defense Acquisition System (DAS) in detail. This leads us to identification of systems linkages and areas of misalignment between PPBES and the DAS, drawing on interview data. Finally, we provide conclusions with respect to our hypothesis, analysis of consequent key problems and issues, and areas that require further research.

In 2003, the Department of Defense announced significant changes to the PPB system, renaming it the Planning, Programming, Budgeting and Execution System or PPBES (Secretary of Defense, 2003a). The PPBE system is the policy development, resource planning, and budgeting process for national defense. It is characterized by complexity and plurality. The Department of Defense (DOD) prepares its plan and budget using this system which will allocate almost $380 billion in federal funds in FY2004, about 48% of the discretionary federal budget, and $2.1 trillion from 2004 through 2008. This is almost six times the next largest discretionary total in the Department of Health and Human Services. Despite these trends, little attention has been paid to the defense budget process. This paper reviews and evaluates changes made to what is now termed the PPBE System and also assesses other initiatives to reform the resource decision-making system employed by the Department of Defense.

While the basic structure of PPBS remains, it was changed in several important ways. First, the reform merged separate programming and budget review into a single review cycle, done simultaneously rather than sequentially. Second, it incorporated a biennial budget process matched to national electoral cycles with major strategic changes slated for the second and fourth year of a Presidential term and minimal updating change made in the first and third years. Third, it fixed timing of the process so that planning and budgeting were clearly derivative processes driven by the Quadrennial Defense Review and the National Military Strategy. Fourth, it changed the cycle for Office of the Secretary of Defense (OSD) provision of the top level planning information to the military departments and services from annual to biennial. The result of these changes was to create a two-year decision cycle with a complete review in year one followed by limited incremental review in year two. This was meant to decrease turbulence and reduce unnecessary re-making of decisions. These changes made each on-year cycle

quicker by compressing the programming and budgeting cycles, but preserved the decisions made in the on-year cycle through the off-year by limiting reconsideration of decisions to only the most necessary updates. Decisions would be made more quickly, but last longer.

In this report, we review the history of PPBS and indicate how the reforms of 2002-3 have changed it. We also speculate about the limits to change within the Department of Defense and at the political interface between DOD and Congress, which as Mayer and Khademian (1996) suggest (about defense procurement) will not give up its legislative oversight role without a fight and which makes certain demands upon DOD about budget format and presentation (e.g. a line-item format) for the appropriation process irrespective of what internal processes DOD may use. PPB has served DOD well for almost four decades by balancing rational decision-processes, neutral expertise from the military and others, and clearly political agendas over an extended planning and budgeting horizon. The relevant question here is the extent to which the new PPBES system meets the defense needs of a world changed by the events of 11 September 2001 and thereafter.

PPBS HISTORY AND DEVELOPMENT

PPBS was implemented in DOD originally by Defense Secretary Robert McNamara and by Charles Hitch, Robert Anthony, and others during the administrations of Presidents Kennedy and Johnson in the 1960s (Thompson and Jones, 1994). Prior to 1962, the DOD did not have a top-down coordinated approach for planning and budgeting (Puritano, 1981; Korb, 1977; Korb, 1979; Joint DOD/GAO Working Group on PPBS, 1983). Until this time, the Secretary of Defense (SECDEF) had played a limited role in budget review as each military service developed and defended its own budget. McNamara had used PPBS when he was the President of the Ford Motors Corporation. He and Charles Hitch, his Comptroller, had confidence that the system would be valuable for long-range resource planning and allocation in DOD. McNamara wanted PPBS to become the primary resource decision and allocation mechanism used by the DOD. McNamara implemented the system after President John F. Kennedy tasked him to establish tighter control by the Secretary of Defense, a civilian, over the military departments and services. As a former member of Congress, Kennedy was highly distrustful of the military service planning and budgeting. He ordered McNamara to take control of DOD planning and budgeting away from the military and put it in the hands of civilian leadership. Consequently, the initial motivation for establishing PPBS had as much to do with control and politics as it did with rational resource planning and budgeting. By June 30, 1964, PPB was operational within the Department of Defense (Thompson and Jones, 1994; Feltes, 1976; Korb, 1977; Korb, 1979).

Hitch implemented PPBS and systems analysis throughout DOD, but most of the program analysis was done by his "whiz kids" in the Office of the Secretary of Defense (OSD) under the Comptroller and the office of Program Analysis and Evaluation. The military departments were not anxious to implement PPBS, but had to do so eventually to play in the new planning and budgeting game run and orchestrated by Hitch and his staff. After a few years, the military departments were fully engaged in learning how to compete in the new PPBS process. However, as noted, PPBS was not just budget reform

– it was a new approach to analysis and competition between alternative programs, weapons systems and, ultimately, multi-year programmatic objectives. Additional reforms beyond PPBS were to be proposed by DOD under the Johnson administration.

Charles Hitch was followed as DOD Comptroller by Robert N. Anthony, a professor of management control on loan from Harvard University's School of Business, who proposed an ambitious set of changes to DOD budgeting and accounting in 1966 in what was termed Project Prime. Among other things, Project Prime would have divided all parts of DOD into mission, revenue, expense and service centers, consistent with management control theory according to Anthony, and required accrual accounting with reimbursable fee-for-service internal transactional payments (using negotiated or shadow prices) throughout DOD (Thompson and Jones, 1994: 66-68). What Anthony envisioned was a reimbursable accounting process similar to what was implemented in much of DOD by Comptroller Sean O'Keefe and Deputy Comptroller Donald Shycoff as part of the Defense Management Report initiatives of 1989-1992 under the Bush administration and Defense Secretary Dick Cheney (Jones and Bixler, 1992). Project Prime also included accrual accounting and budgeting for DOD. Accrual accounting is required now under the Chief Financial Officers Act of 1990, which DOD has been unable to implement successfully. Clearly, Anthony was ahead of his time in his vision of how DOD accounting and budgeting should be organized (Thompson and Jones, 1994: 67-68).

Congress did not support Anthony's proposed changes. Key members of the appropriations committees refused to allow the change to accrual accounting and rejected Project Prime, probably because they thought it would reduce their leverage to micromanage DOD through the budget. Opposition was so strong that it was suggested Anthony should be asked to resign. Anthony was not asked to do so, but chose to return to Harvard and the experiment was ended (Jones, 2001b). Not until 2003 did DOD return to Congress with such a sweeping reform proposal – the Defense Transformation Act.

The post-WWII sequence of budget reforms that led to PPBS in the 1960s started with performance budgeting in the 1950s. In essence, performance budgeting (Burkhead, 1959: chapters 6-7, and 133-181) attempts to connect inputs to outputs. As implemented by the President's Bureau of the Budget (BOB) under the Eisenhower administration, performance budgeting (PB) in the 1950s was characterized by indicators of cost per unit of work accomplished, focusing on workload measures rather than outputs or outcomes. The history of performance budgeting includes the Taft Commission of 1912 which recommended it be implemented and its implementation in the Department of Agriculture in 1934 and the Tennessee Valley Authority in the later 1930s, as well as having been strongly recommended by the Hoover Commission in 1949 (McCaffery and Jones, 2001: 69).

In 1949, Congress required that the budget estimates of the Department of Defense be presented in performance categories. Performance budgeting was an executive branch managerial budget tool. During the 1950s under the leadership of Bureau of the Budget Director Maurice Stans and others, executive budgeting was transformed somewhat radically through the institution of performance measures into budgets. Many of the measures had already been in use for decades as proxies that facilitated and simplified negotiations between the Executive and Congress. However, in this first wave of performance budgeting (the second wave would hit in the 1990s) great effort was exerted to develop measures of performance and relate these to appropriations and spending. In fact,

many of the measures developed in this era did not measure performance. Instead, because it was easier (and perhaps the only approach possible), workload and input cost data were used in place of real measures of performance. Still, budgeting in this era moved far from the simple line-item formats of the past. Formulae and ratios between proposed spending and actions were integrated into the Executive budget along with explanations of what the measures demonstrated and how they related to justifications for additional resources. (McCaffery and Jones, 2001: 69)

The emphasis of budget reform shifted in the early 1960s to what was termed "program budgeting." Program budgeting (Mosher, 1954; Novick, 1969) was and is a variation of or evolution from performance budgeting in which information is collected by program categories, without much of the detail of the performance-budget construction. These categories of spending are tied to specific objectives to be achieved. Activities are grouped by department, agency, and then by mission objective and sometimes by function and projected for a five-year period. Program budgeting was experimented with in the Department of Agriculture in the early 1960s as reported by Wildavsky and Hammond (Wildavsky and Hammond, 1965) and later adopted throughout the entire federal government through Executive Order by President Lyndon Johnson in 1966.

The Programming, Planning, Budgeting System (Lee and Johnson, 1983: chapter five; Hinricks and Taylor, 1969; Merewitz and Sosnick, 1972; Schick, 1966; Schick, 1973; McCaffery and Jones, 2001: 70) was intended to be a thorough analysis and planning system that incorporated multiple sets of plans and programs. Under Secretary of Defense Robert McNamara and DOD Comptroller Charles Hitch, PPBS drew upon methods from various disciplines, including economics, systems analysis, strategic planning, cybernetics, and public administration to array and analyze alternative means and goals by program and then derive benefit/cost ratios intended to indicate which means and ends to choose. Budgeting under this system was to become a simple matter of costing out the goal chosen.

In theory, the program budgets that resulted from PPBS were supposed to provide the Executive and Congress information on what the federal government was spending for particular categories, e.g., health, education, public safety, etc. across all departments and agencies. Program budgets may best be understood as matrices with program categories on one axis and departments on the other. Thus, in the fully articulated program budget Congress could determine how much was spent on health or education in total in all departments and agencies and this would promote deliberation over whether this was enough, too much or too little.

President Lyndon Johnson thought that PPBS was so successful in DOD that in 1966 he issued an executive order to have it implemented throughout the federal government. Regrettably, although Executive branch departments prepared their program budgets and related spending to objectives, Congress largely ignored what it was presented, preferring to stick with the traditional appropriations framework for analysis and enactment of the budget. (Schick, 1973) Various reasons are advanced for why this was so. Perhaps program budgets presented too much information to be used and understood by Congress. Alternatively, and as likely, perhaps Congress perceived that program budgeting would reduce the power of members of appropriations committees because the budget in this format would be determined too much by formula, thus decreasing the political spending

discretion of Congress (Jones and Bixler, 1992). Although the government-wide experiment with PPBS was suspended by President Richard Nixon in 1969, this was done more for political than efficiency reasons. However, PPBS was perceived in much of the Executive branch and Congress as paper-heavy and consuming too much staff time for preparation and analysis (Schick, 1973). Still, the system continued to be used in the Department of Defense, in part because DOD purchases substantial long-lived capital assets and since PPB requires long-range planning as its first component, it suited the needs of the Defense Department.

Thus, despite criticism that PPBS was a failure in the federal government, the process remained in use by the DOD and has been modified incrementally so as to operate effectively despite some evident flaws (Wildavsky 1988: 186-202; Puritano, 1981, McCaffery and Jones, 2001). While the manner in which PPBS operates has varied under different Presidents and Secretaries of Defense, the basic characteristics of the system have remained in place for more than 40 years. During this period, three significant reform initiatives have influenced the PPB system: the Laird reforms, the Goldwater-Nichols Act, and the Rumsfeld transformation in 2001-2003.

LAIRD REFORMS

In 1969, Melvin Laird was appointed Secretary of Defense by President-elect Richard Nixon to succeed McNamara. Laird brought a different management orientation to the Defense Department, one more in keeping with its historical predilections, emphasizing decentralization and military service primacy. If McNamara increased scientific decision making in the Pentagon, he also installed a centralized management approach. Systems analysis, top-down planning, and benefit/cost analysis supported this centralized focus. One of the key bureaucratic players was the Office of Policy Analysis, which made use of the tools cited above to help McNamara centralize decisions in the Office of Secretary of Defense (Thompson and Jones, 1994: 68-73). Laird's methods ran counter to this approach, emphasizing participatory management and decentralization of power. Beginning in 1969, Laird shifted decision making power away from the DOD staff agencies to the Military Department Secretaries, because there were, "…many decisions that should be made by the Services Secretaries and they should have the responsibility for running their own programs. I have no business being involved in how many 20mm guns should go on a destroyer. That is the Secretary of the Navy's business. I must let the Services take a greater role." (Feltes, 1976) Laird also pursued a process of participatory management, in which he hoped to gain the cooperation of the military leadership in reducing the defense budget and the size of the forces.

During Laird's four-year tenure, U. S. troop strength in Vietnam fell from 549,500 persons in 1969 to 69,000 in May of 1972 (Laird, 2003). Laird was preoccupied with disengaging from Vietnam, but not to the exclusion of other issues, such as burden-sharing costs with other nations, maintaining technological superiority (e.g., B-1 bomber, Trident submarine), improved procurement, enhanced operational readiness, and strategic sufficiency and limitations on the nuclear build-up (Feltes, 1976; Armed Forces Management. 1969). He ended the selective service draft in January of 1973 and was persistent in his efforts to secure the release of American POWs.

Laird spent a lot of time preparing for and testifying in Congress and improved DOD relations with Congress. On the management side, Laird gave the military department secretaries and the JCS a more influential role in the development of budgets and force levels, but he also returned to the use of service program and budget ceilings (fixed shares) and required services to program within these ceilings. This concept of ceilings or "top-line" endured for most of the next 40 years and still influences DOD budget requests today, as services are expected to balance their program and budget against the total obligational authority they are given at various stages in the planning and budget process.

Laird sought to provide a better balance between military and civilian judgment in the defense decision-making process by providing better and earlier strategic and fiscal guidance to the services and the Joint Chiefs of Staff. Feltes suggests that the result of Laird's emphasis on decentralized management was that responsibility for military planning was shifted back to the military services, and the role of OSD Systems Analysis was de-emphasized. While no abrupt shifts were made, the Laird era was marked by a steady and persistent shift away from McNamara's emphasis on centralization of DOD decision making under the Secretary of Defense (Feltes, 1976; Armed Forces Management. 1969).

THE GOLDWATER-NICHOLS ACT OF 1986

It may be argued that the creation of the defense department in 1947-49 never really took hold in that, by and large, the military departments continued to go their separate ways within the envelope of the Department of Defense until the reforms of the 1960s and, to some extent, until implementation of the Goldwater-Nichols Act of 1986 (Thompson and Jones, 1994: 78-79, 246). In the 1950s, Presidents Truman and Eisenhower both fought arguably losing battles to strengthen the role of Chairman of the Joint Chiefs of Staff and the JCS (Thompson and Jones, 1994: 51-53).

By 1981, the sitting JCS Chairman, USMC Gen. David Jones was writing that the system was broken and asking Congress to fix it (Jones, 1982). The fact that Gen. Jones as CJCS was voicing such criticisms was in itself very significant (Chiarelli, 1993:71). In 1981, Jones (1982) suggested that because of the decentralized and fragmented resource allocation process driven by parochial service loyalties, there was always more program than budget to buy it; that the focus was always on service programs; that changes were always marginal when perhaps better analysis would have led to more sweeping changes; that it was impossible to focus on critical cross-service needs; and the result was that an amalgamation of service needs prevailed at the Joint Chiefs of Staff level.

General Jones argued that staff to the Chairman of the JCS was so small that the Chairman could focus only on a few issues. The result was that the defense budget was driven by the desires of the services (usually for more programs and money), rather than by a well-integrated JCS plan. In addition, he argued that all of this undercut the authority of not only the JCS but the entire unified command structure established in the Defense Reorganization Act of 1958 (Thompson and Jones, 1994: 51-53). General Jones noted this was particularly evident in acquisition, where weapons systems met performance goals 70% of the time, but schedules 15% of the time, and cost goals 10% of the time. Jones explained:

The lack of discipline in the budget system prevents making the very tough choices of what to do and what not to do. Instead, strong constituencies in the Pentagon, Congress,

and industry support individual programs, while the need for overall defense effectiveness and efficiency is not adequately addressed." (Jones, 1996: 27).

In 1986 Congress passed a sweeping reform plan, commonly referred to as the Goldwater-Nichols Act (for its congressional sponsors), over the ardent objections of many in the Pentagon, including Secretary of Defense Caspar Weinberger (Locher, 1996: 10; Locher, 2002) who thought it would break apart the DOD management system. The legislation is too complex to detail here, but among other things it strengthened the hand of the Chairman of the Joint Chiefs of Staff as chief military advisor and spokesman to the Secretary of Defense and to the President, provided the CJCS with a larger staff and identified important phases in the PPBS process where the JCS would play in setting requirements and reviewing the plans of other players. It established the national command authority to run from the President to the Secretary of Defense to the unified commanders in chief (CINCs). This increased their formal authority so that rather than using whatever forces the military services would allow them to use in their geographical area, the unified CINCs had war fighting and command responsibilities and the military service roles were to provide them with the wherewithal to do so (Thompson and Jones, 1994: 51-53, 79, 223-224). This distinction clearly put the military services in the role of training people and providing personnel and equipment for the warfighting missions of the geographically based unified command CINC's. Goldwater-Nichols also created the position of Vice-Chairman of the Joint Chiefs of Staff. Generally, the officers who have served in this spot have been strong innovators and, through various committee structures, have had a substantial impact on the resource planning process within DOD.

Goldwater-Nichols also emphasized the requirement for joint command officer duty assignment. Before Goldwater-Nichols, JCS and joint command assignments were viewed as almost career-ending assignments, thus many of the best officers tried to avoid them. CJCS Jones observed that people serving joint tours did less well in the promotion process than those who had not served such tours (Jones, 1996: 28). While implementing it has been an evolutionary process, Goldwater-Nichols has changed this perspective – such assignments now may be career enhancing. The Act also required all officers to pass certain levels of joint proficiency and upwardly mobile officers now believe a joint tour is a must.

Most importantly, Goldwater-Nichols changed the caliber of advice given to the President and Secretary of Defense by the JCS. Former CJCS Army General Shalikashvili praised this part of the Act, "...we have broken free from the 'lowest common denominator' recommendation that so often plagued us in the past." (Roberts, 1996: 1) Shalikashvili indicated there was still room for smoothing the role of the JCS in the planning and budgeting cycles, in the national military planning process, and in management of officers into joint billets. Nonetheless, it is clear that Goldwater-Nichols is a success, as Secretary of Defense Perry noted in 1995, "It dramatically changed the way that America's forces operate by streamlining the command process and empowering the Chairman and the unified commanders. These changes paid off in...Desert Storm, in Haiti, and today in Bosnia." (Locher, 1996:15)

On the resource allocation side, Goldwater-Nichols provides two classes of organizations, those who do the war fighting, under the unified command CINCS, and those who support them, the military departments and services and their own CINCs. The military department secretaries hold most of the DOD budget authority, while the service CINCs play key roles in programming, with less leverage in budgeting. Most of the combatant

commands, the unified CINCS, do not have their own budgets (except for their staffs). Rather, they use the personnel and weaponry provided them by the military departments and services. However, the military CINCs must pass their budget requests through the unified command CINCs before they move upward in the budget chain of command to the Pentagon. Prior to the mid-1990s this review by the unified command staffs used to be *pro forma* but it has become a real review in many unified commands, e.g., CINCPAC review of CINCPACFLT budget proposals. The Special Operations Forces command, headquartered at McDill Air Force base in Florida, has its own sizable (and increasing) budget, but SOF budgets still are small compared to the military department budgets.

The unified CINCs also have an opportunity to identify requirements in the PPBES process and the Chairman of the Joint Chiefs of Staff has the responsibility to advise the Secretary of Defense to certify the merit of these requirements as well as how well the budgets of the military departments satisfy the unified CINC needs. The JCS Chairman also can submit alternative recommendations to SECDEF to meet unified CINC needs in the budget. In this matter, SECDEF is the final arbiter of what the military departments get in their budgets. The unified and service CINCs both have opportunities to give input to the Chairman of the Joint Chiefs in the PPBES planning process for development of the National Military Strategy, and in the final draft of the defense guidance which leads to the POM process. In the POM process, the service CINCs make inputs by providing their Integrated Priority Lists (IPLs) that indicate their top war fighting needs (important information for the JCS and unified CINCs). Military service CINCs may indicate program deficiencies that exist and make recommendations to fix deficiencies to both the JCS and the military service chiefs. The IPLs are a part of the programming and budgeting process and are duly considered in several venues in OSD and the military departments.

An unresolved tension is evident here as the unified and service CINCs both have been criticized as sometimes tending to focus on short-term operational needs, war fighting issues, and the O&M accounts that support readiness. Simultaneously, the military departments have to keep an eye not only on the short-term and immediate items and issues, but also weapons procurement and recapitalization issues, such as modernizing the aircraft or fleet inventory. Some players in the PPBES process believe this is a healthy tension. Others worry that immediate issues, and some long-term needs, may be slighted. DOD is currently in the middle of another significant change as Secretary Rumsfeld pursues his goal of transforming both military and business affairs while actively employing some part of the operating force in combat situations. This reform is somewhat of a return to a more centralized pattern of operations.

PPBE PROCESS OVERVIEW

Recent change in the venerable PPB system was separate from Secretary of Defense Rumsfeld's efforts to transform defense and was not part of the Defense Transformation Initiatives presented and debated before Congress in 2003. None of the reforms implemented in 2001 through 2003 in the PPB process needed congressional approval; they were internal matters concerning how DOD would organize its planning and budgeting process. While critics had pointed out flaws in PPB for some time, the genesis of this set of reforms clearly appears to rest with Secretary Rumsfeld, who felt the

process was too slow and cumbersome and did not deliver the "right stuff" on a timely basis. Thus, the change was intended to accelerate the cycle, and to avoid unnecessary remaking of decisions. Implicit in this process is the idea that SECDEF and his staff will be brought into the decision loop more quickly, though this is not articulated in documents that describe the process changes.

Each year the Secretary of Defense had issued the Defense Planning Guidance to guide the programming and budgeting processes with force structure directions and fiscal constraints. This comes after extensive analysis of world conditions, the threat situation and U.S. options and strategies. The Defense Planning Guidance describes SECDEF's guidelines for creating force structure to meet the threat, including his appreciation of fiscal constraints. The Defense Planning Guidance (DPG) will now become a biennial guidance. The Office of the Secretary of Defense will no longer provide the military services and defense agencies this annual classified planning document designed to help them develop their budget and program requests for the upcoming fiscal year. The move away from developing the top-level Defense Planning Guidance each year is part of the OSD move toward two-year budget cycles. If necessary, OSD may prepare "off-year" guidance documents reflecting minor strategy changes, according to Management Initiative Decision No. 913, issued May 22, 2003 by Deputy Secretary of Defense Paul Wolfowitz (Secretary of Defense, 2003a). The intent of reform is that the threat does not often change quickly. For example, the Cold War threat scenario lasted from about 1948 to 1990 and was followed by a "base force and reconstitute" scenario until 2001. However, there are some exceptions, e.g., after September 11, 2001.

Threat assessment has long-term salience, and complete annual reviews to it followed by a full budget cycle were seen as costly and inefficient. The essence of the reform places the biennial issuance of the DPG document in a two-year cycle within the four years that a Presidential administration has to develop its national defense objectives and strategy. A series of documents has in the past guided this process, including the annual DPG, the Future Years Defense Program, the issuance of each new President's national security strategy, and development of the Quadrennial Defense Review for use by DOD and for reporting to Congress. The QDR consists of a comprehensive analysis of military readiness, capabilities and force structure that helps to provide a reporting framework to permit a newly elected administration to develop its spending plan and budget. Since the early 1990s, the QDR has become the primary external and one of the major internal statements of policy by the Secretary of Defense. To explain these changes and how they are playing out we first examine the PPBES process and then discuss how the Department of Navy operated its budget process in the new PPBES process in 2002 and 2003.

The purpose of PPBES is to provide a systematic and structured approach for allocating resources in support of the national security strategy of the U.S. The ultimate goal of the entire PPBES process is to provide the military Commander-in-Chiefs with the best mix of forces, equipment and support attainable within resource constraints. Before delving into the full complexity of PPBES it is useful to review the system in summary. Once we understand how PPBES operates in general, we then review changes initiated in 2001 and 2003 to significantly modify PPBS into what is now PPBES -- the result of significant reforms authorized by Defense Secretary Donald Rumsfeld under the

administration of President George W. Bush. Then, when we understand the changes made during this period, we examine how the process operates in detail.

Four Phases of PPBE

PPBES has four distinct phases, with each phase overlapping the other phases (Jones and Bixler, 1992: 19-31).

The **planning phase** begins at the Executive Branch level with the President's National Security Strategy (NSS) developed by the National Security Council. The NSS takes its input from several federal agencies (including the Department of State, the Central Intelligence Agency and others in the intelligence community) to ascertain the threats to the U.S. in order to form the nation's overall strategic plan to meet those threats, thereby outlining the national defense strategy. Subsequently, the Joint Chiefs of Staff (JCS) produce a fiscally unconstrained document called the National Military Strategy Document (NMSD). The NMSD contains their advice regarding strategic planning to meet the direction given in the National Security Strategy while addressing the military capabilities required supporting that objective. As a follow on to the NMSD, the Chairman of the Joint Chiefs of Staff (CJCS) advises the Secretary of Defense, in the Chairman's Program Recommendation (CPR), regarding joint capabilities to be realized across DOD military components. The CPR provides the personal recommendations of the Chairman of the Joint Chiefs for promoting joint readiness, doctrine, and training, and better satisfying joint warfighting requirements in order to influence formulation of the Defense Planning Guidance. The Chairman's Program Recommendation (CPR) is seen as a key joint staff input from the CJCS and his staff into the PPBES process. It is meant to help steer the Defense Planning Guidance.

All of the above inputs are provided to the Secretary of Defense (SECDEF) for drafting and ultimately issuance of the Defense Planning Guidance (DPG), and the Future Year Defense Plan, a six-year projection of department-wide force structure requirements. The DPG provides the military services official guidance regarding force structure and fiscal guidelines for use in preparing their Program Objectives Memorandum (POM) during the programming phase of PPBES. For purposes of reporting to Congress on defense planning, the DOD also prepares and transmits a comprehensive report referred to as the Quadrennial Defense Review (QDR). In the past decade, the QDR has enhanced the FYDP and DPG for purposes of planning for the Office of the Secretary of Defense (OSD) and DOD.
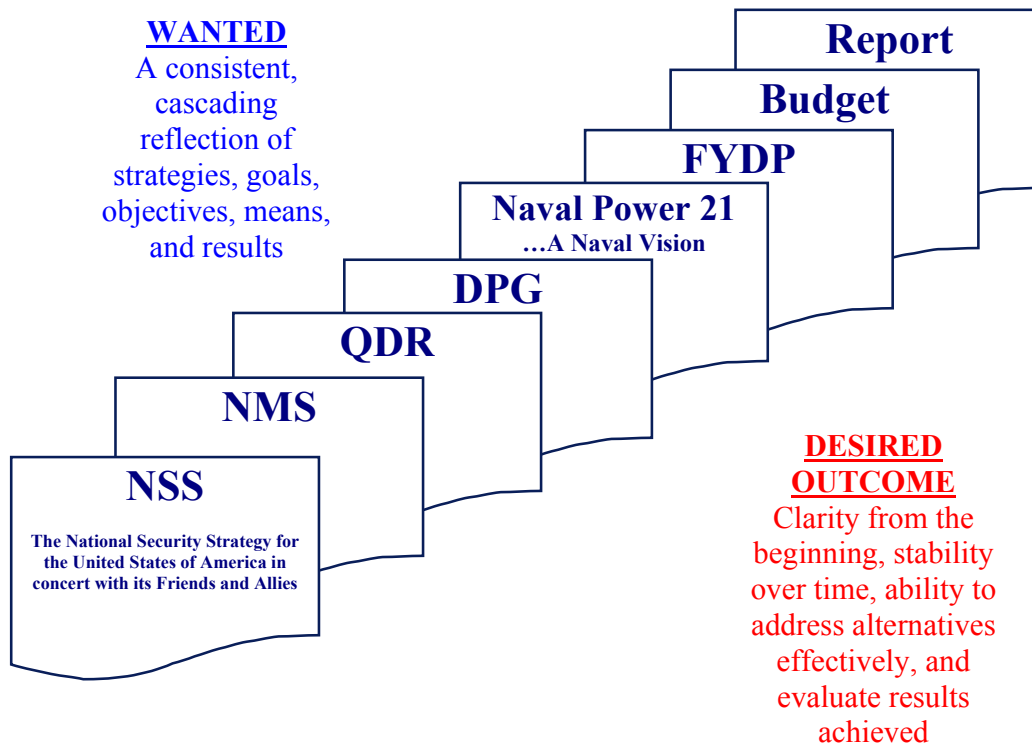
Figure 1: Funding the National Security Strategy

The purpose of the **programming phase** is for each military component to produce a Program Objectives Memorandum (POM) to address how they will allocate resources over a six-year period. The development of the POM requires the services to consider numerous issues including their Commanders-in-Chiefs' (CINCs) fiscally unconstrained Integrated Priority Lists (IPLs) stipulating programs that must be addressed during its development. The POM must also support the guidance given in the DPG and operate under fiscal constraints issued within it, e.g. total obligational authority by military department by year. POM's are developed in even numbered years and subsequently reviewed in odd-numbered years.

Woven within the POM are the Sponsor Program Proposals (SPPs) developed by resource sponsors (e.g., the major commands, systems commands and defense agencies) to address military service objectives, and preferences of the CINCs. The SPPs must be developed within the constraints of military component Total Obligation Authority (TOA), defined as the total amount of funds available for spending in a given year including new obligation authority and unspent funds from prior years.

Military department and service POMs are reviewed by the JCS to ensure compliance with the NMSD and DPG, assessing force levels, balance and capabilities. Following the review, the CJCS issues the Chairman's Program Assessment (CPA) to influence the Secretary of Defense decisions delineated in the Program Decision Memoranda (PDM) marking the end of the programming phase. The Chairman's Program Assessment is

another key steering device that the Chairman uses to give his personal assessment of the adequacy and risks of service and defense agency POMs. He also proposes alternative program recommendations and budget proposals for SECDEF consideration prior to the issuance of Program Decision Memoranda (PDM) by SECDEF. The PDM issued by OSD approves or adjusts programs in each POM. The POM that has been amended by the PDM provides an approved baseline for military departments to submit their budget inputs. While the programming phase of PPBES operated as a separate cycle from the 1960s through the early 2000s, in August 2001 Secretary of Defense Donald Rumsfeld merged the POM and budget review cycles.

In acquisition matters, the Chairman of the Joint Chiefs is supported by the Joint Resources Oversight Committee (JROC) a committee led by the Vice Chairman of the Joint Chiefs and composed of the service Vice-Chiefs who review all joint acquisition programs and programs where a joint interest in interoperability is evident. The Chairman then can and does make recommendations about acquisition priorities. This is another change rising out of Goldwater-Nichols and out of the Grenada operation where Army and Marine troops on the ground could not communicate with other units because the radios used were not interoperable. The JROC approves the mission need and conducts an analysis to see how well the suggested acquisition program meets these needs. The process of staffing a proposal up to the JROC decision level involves assessment and analysis by various committees ending at the Flag level, and analytic effort by JCS staff and can take four to five months. A successful program that is vetted and found to meet joint requirements then has a priority attached to it at the JROC level and is then passed into the POM and later the budget for funding.

Part of the 2003 reform was intended to accelerate and improve the acquisition process. In April 2002, Defense Planning Guidance study #20 (Secretary of Defense, 2002b) concluded that the resource requirements process frequently produced stovepipe systems that were not necessarily based on required capabilities and incorporated decisions from a single service perspective. The study found that the acquisition process did not necessarily develop requirements in the context of how the joint force would fight. Rather, requirements tended to be more service-focused. Moreover, duplication of efforts was apparent in the less visible and smaller acquisition programs. The study observed that the current culture aimed for the 100% (perfect) solution and this resulted in lengthy times to field weapons. In addition, the process was still found to lack prioritization of joint warfighting demands. Ongoing reform here resulted in reshaping of the JROC process so that decisions would be better set up for JROC to make its decision by two new oversight committees reporting to it, headed by flag officers and focused on functional areas. This is an on-going part of the 2003 reform and is indicative of Secretary Rumsfeld's interest in joint operations, joint warfighting, and a quicker acquisitions process. In the figure above, the Future Year Defense Plan (FYDP) is the database of record in which POM and budget actions are tracked and recorded. The FYDP is updated after every major process action, e.g. submittal of President's budget, passage of appropriation bill, conclusion of program change proposals and budget change proposals. Some see the Planning and Programming phases as planning and more planning, but they are very different. The Planning phase involves ascertaining the threat and deciding how it may be diminished or avoided. For example, a national strategy that said the U. S. would only intervene in conflict situations where there was an over-riding

national interest would have substantially decreased operating tempo (the analog of workload) for DOD in the 1990's. Agreements between nations in treaties and compacts may either increase or decrease workload for defense. In the Programming phase the major options have been decided and the Secretary of Defense introduces fiscal constraints and choices are subsequently made about the shape of force structure give the decisions made in the Planning process. Thus the Planning and Programming processes are planning processes, but they are very different. The Planning phase involves other departments and agencies, assesses the threat on a global basis, and describes a U. S. response to the threat without fiscal constraint. The Programming process is internal to DOD and focuses on providing the force structure (aircraft carriers, tanks, personnel) to meet the threat within a generally constrained fiscal environment. The Budgeting phase buys and supports the force structure for a particular fiscal year.

The **budgeting phase** begins with the approved programs in each military service POM. Each military component costs out the items that support its POM for the budget year and submits its part of the budget as its Budget Estimate Submission (BES). The BES in even-numbered "POM years" is a two-year submission and is based on the first two years of the POM as adjusted by the PDM. The BESs are amended by the services during the POM update occurring in odd-numbered years and cover only one year. Every BES is reviewed by military secretariats under the authority of the military department secretaries because budgeting is a civilian function in DOD, as mandated by Congress in the 1970s. The budgets of the military department Secretaries are then reviewed by the DOD Comptroller, other OSD officials, the JCS and ultimately by the Deputy and Secretary of Defense.

The Office of the Secretary of Defense cooperates in this review with the President's Office of Management and Budget. This review attempts to ensure compliance with the DPG, the PDM and the President's National Security Strategy. SECDEF staff makes changes and provide rationale for these changes in the form of Program Budget Decisions (PBD). Before becoming part of the President's Budget, required for submission to Congress no later than the first Monday in February, PBDs are issued to allow the military department secretaries and budget staff to respond with appeals of cuts (reclamas) to SECDEF/OSD Comptroller staff. Once major budget issues have been resolved, the final defense budget is sent to OMB to become part of the President's Budget. This step constitutes the end of the budget proposal and review phase of PPBS. However, as noted subsequently, budget execution is a critical part of PPBS typically ignored in analysis of this system.

Budget execution consists of first gaining permission to spend appropriations approved by Congress through a separate budget submission process referred to as the allotment process. In allotment review, DOD must show how it intends to spend what has been appropriated, by quarter, month, or fiscal year for multiple year appropriations. This is always somewhat different than what was proposed in the President's budget since appropriations must now be attributed to programs and allocated into the months they will be obligated (usually by quarters). After allotment approval is received from OMB and the Treasury, DOD begins the process of separating and distributing shares of the DOD budget to the military departments and services and other DOD commands and agencies. After they have received their spending allotment authority, these resource claimants begin to incur obligations to spend, and then liquidate their obligations through

outlay of money. During this process, comptrollers and budget officials at all levels of DOD monitor and control execution of programs and funding. At the mid point of the spending year, the military departments and services typically conduct a mid-year review to facilitate shifting of money to areas of highest need. At the end of the fiscal year (September), all DOD accounts must be reconciled with appropriations and spending must be accounted for prior to closing the accounts from further obligation and outlay (for annual accounts). Financial and management audits by military department audit agencies, the DOD Inspectors Generals, the General Accounting Office (GAO) and other entities follow the conclusion of execution and reporting.

PPBE BY YEAR

Year One: Review and Refinement
Management Initiative Decision 913 sets out a two-year budget and planning cycle within the framework of the four years in a Presidential administration. Year one requires "review and refinement" of the previous President's strategy and plans, including only limited changes in programs and budgets, an early national security strategy, and an "off-year DPG." As stated in MID-913, "The off-year DPG will be issued at the discretion of the Secretary of Defense…The off-year DPG will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense…However, a small and discrete number of programming changes will be required to reflect real world changes and as part of the continuing need to align the defense program with the defense strategy," (Secretary of Defense, 2003a: 5). A major objective of the off-year guidance will be to provide the planning and analysis necessary to identify major program issues for the next DPG. One of the benefits of the new four-year cycle is that it fits the PPB process into the electoral cycle. Incoming administrations usually struggle to get their people on board in the first year and significant defense policy changes usually do not come until later. The new cycle recognizes this reality. Significant events do happen in year one. The National Security Strategy is issued at about mid-year and the Quadrennial Defense review begins shortly thereafter (June) and is issued early in Year Two (February). These are significant guidances for defense strategy and resource allocation. Also in year one, the new administration may take steps to insert its defense policy priorities in the budget submitted to Congress and to make changes caused by fact-of-life events in acquisition programs. Congress may also make changes in this year that have consequences for the following years.

An overview of the new PPBES decision cycle is provided in Figures 2 and 3.

Year 1: Review and Refinement	Year 3: Execution of Guidance
• Early National Security Strategy	---
• Restricted fiscal guidance	• Restricted fiscal guidance
• Off-year DPG, as required (tasking studies indicative of new Administration's priorities; incorporating fact-of-life acquisition changes, completed PDM studies, and congressional changes)	• Off-year DPG, as required (tasking studies; incorporating fact-of-life acquisition program changes, PDM studies and congressional changes)
• Limited Changes to Baseline Program	• Limited Changes to Baseline Program
• Program, Budget, and Execution Review initializes the on-year DPG	• Program, Budget, and Execution Review initializes the on-year DPG
• President's Budget and Congressional Justification	• President's Budget and Congressional Justification

Year 2: Full PPBE Cycle – Formalizing the Agenda	Year 4: Full PPBE Cycle – Ensuring the Legacy
• Quadrennial Defense Review	---
• Fiscal guidance issued	• Fiscal guidance issued
• On-year DPG (implementing QDR)	• On-year DPG (refining alignment of strategy and programs)
• POM/BES submissions	• POM/BES submissions
• Program, Budget, and Execution Review	• Program, Budget, and Execution Review
• President's Budget and Congressional Justification	• President's Budget and Congressional Justification

Figure 2: Summary of 2003 PPBE Cycle
Source: Secretary of Defense, Management Initiative Decision 913, 2003: 3.

Year Two: Full PPBE Cycle- Formalizing the Agenda
Year two in the new four-year framework is more intense in that the military departments and services and OSD will conduct full program, planning, budget and execution reviews to formalize the President's defense posture and strategy, including the resource portion of the strategy. In addition to a Quadrennial Defense Review issued early in the year, the second year will include a full, "on-year" Defense Planning Guidance (DPG), issued in May and designed to implement the QDR results. Previously, the QDR had been issued on 30 September in the first year of a Presidential administration. However, in the FY 2003 Defense Authorization Act, Congress changed the QDR reporting requirement to the second year to provide new DOD leadership more time for analysis and preparation.

Senior defense officials had argued to Congress that the requirement to submit a QDR in the first year was too much to ask of a new administration barely through the rigorous congressional process for confirmation of presidential appointees to lead the DOD and military departments. Year two will see then a full POM and a full budget build. This will result in a full FYDP build. A full execution review is also scheduled for years two and four. Giving this the same emphasis as the POM/Budget, build is new.

Year Three: Execution of Guidance
The new planning and budget process specifies that year three be used for "execution" of the President's defense plan and budget agenda as provided in the QDR and the previous year's DPG. Year three corresponds with FY 2005 in the budget cycle and could include an "off-year" DPG if so desired by the Secretary of Defense. This off-year guidance could task new studies, or incorporate fact-of-life changes in acquisition programs including increased costs or schedule delays as well as congressionally mandated changes. In May 2003, Zakheim indicated that no 2005 DPG was to be prepared under the Bush administration and Rumsfeld. However, the Presidential elections of 2004 could change this plan. Year three is a year of refinement of objectives and metrics with only the most necessary program or budget change proposals considered.

Careful examination of DOD execution of dollars and plans is a critical part of the new planning and budgeting process. Traditionally, budget execution has been left primarily to the military departments. However, the revised process provides OSD with greater opportunity to examine and critique the budget execution decisions of the military departments and services. Zakheim reported in February a widespread agreement in the DOD not to return to a comprehensive annual budget and program review; rather the intent was to use the off year to measure the "burn rate" (rate of spending) in an execution review. To this end, the comptroller said the review would include asking questions such as how money is being spent, if it should be moved to other areas and accounts, and what results have been achieved.

An important budget changed initiated by the Bush administration announced in February 2003 and subsequently by the DOD Comptroller is implementation of "performance-based budgeting," to focus more on the costs of achieving desired military and programmatic outcomes, rather than concentrating budget review on the details of program administration and production. The driving military concept behind performance-based-budgeting (PBB) is the concept of "effects-based capabilities" for war fighting. The effects-based approach focuses on desired end results from a military action rather than the military action itself. Under this concept, military commanders specify the results, such as capture of territory, in addition to the amounts and types of forces needed to achieve the outcome.

Year Four: Full PPBE Cycle – Ensuring the Legacy
Year four in the budget and planning cycle is characterized in MID-913 as the point where the achievements of a four-year Presidential administration are assessed. This year will include preparation of a full DPG to refine the alignment between Presidential strategy and the DOD program and budget. As usual, the DPG will initiate and guide the

cycle of military department and service POM and budget preparation, review and submission (for FY 2006). Then, the next full PPBES cycle will encompass Fiscal Years 2006 to 2011.

REFORM EVENTS IN 2001-2003

The programming-budgeting changes that constituted a redesigned PPBE system began in August of 2001, when SECDEF Rumsfeld announced that the POM and Budget cycle would be operated contemporaneously to speed up the review and decision process (Rumsfeld, 2001). The programming-budgeting changes that constituted a redesigned PPBE system began in August of 2001, when SECDEF Rumsfeld announced that the POM and Budget cycle would be operated contemporaneously to speed up the review and decision process (Rumsfeld, 2001). On January 31, 2002, Secretary Rumsfeld used the occasion of a speech at the National War College to unveil his transformation plans and part of the reasoning behind them. The following excerpt the question and answer period after the speech clearly indicates Rumsfeld's dissatisfaction with the PPB system.

Question: "...I was wondering if you could give us your thoughts on the need for transforming this support (PPB) system. [Cheers, whoops, applause][Laughter] SEC. RUMSFELD: [Laughs.] I'm not going to give you the particulars, but about eight, 10 weeks ago I had to sit through a meeting with the president of the United States, and these nice folks came in and they started a briefing, and they explained exactly what was happening, and they said that...it starts with the presidential guidance, and then it comes to the secretary of Defense guidance, and then it goes down to the CINC, and then it's worked on, and then it proceeds all the way out to the other end, and here's what we're presenting today. And he had pictures of the president and a picture of the secretary of Defense up there, and I looked at it, and I said, "When did the president give that guidance?" And it was 24 months ago. It was another president. [Laughter.] I said, "When did the secretary of Defense give that guidance?" And it was 18 months ago. It was a different secretary of Defense.

"And these nice folks, they worked their heads off, they -- just like beavers, and they produced this thing, and it came out. If -- you know, you -- it had nothing to do with today. It had nothing to do with anything that was going on today. And wonderful, dedicated, fine, talented people doing …work…that was wasteful of their time, and a shame, and I felt badly. These procedures that this department has are so powerful; it's like a train being loaded in San Francisco, the freight train. Car after car is filled the way someone believed it should be done six months ago, before September 11th. And then it starts rolling down the track, and it comes and it comes and it comes, and it arrives in New York City and it unloads, and it's nothing anyone needs."

Later Rumsfeld returned to this analogy. "These...freight trains that are going down the track, as I said earlier, don't connect. We can perfectly compare all the war risks between North Korea and Iraq and this and that, and it does not connect at all to the people risks, it doesn't connect to the modernization risks, it doesn't connect to the transformation risks. They're all on separate tracks, and there isn't any way to look at these. One's apples…the other's oranges. Now what we going to do about that? Is that what the question was? [Laughter] We're going to do everything that is humanly possible.

I am absolutely dumbfounded and shocked that it can work the way it works, and wonderful, talented people can work their heads off in it, and that we aren't capable of getting them to connect between them and to get them sufficiently fast and sufficiently flexible."

Toward the conclusion of the period, Rumsfeld made it clear that he felt the system needed to be fixed. "The way the Department of Defense runs, the budgeting system, the planning system is, broken. It is not serving the department or the country well. And yet it is inexorable. It just rolls along, like the freight train coming from San Francisco with the wrong things for New York. And there are plenty of people who look at it and don't know it's wrong. I sat in meeting after meeting, and people said, "Well, that's the way we do it. This is how it works. This is what it is." And, "Don't you understand that the only way to affect that is to reach back 2-1/2 years ago and load it properly?" And of course my answer is, "Don't you understand we didn't have -- we don't have 2-1/2 years to wait to change? We need to get at it." Rumsfeld had already started DOD down this path by collapsing the programming and budgeting processes into one sequence as per his memo of August 2, 2001.

SUBJECT: Concurrent Defense Program and Budget Review

This memorandum is to assist you in planning for submission of the FY 2003 budget and FY 2003-2007 program. This year, and in the future, we will conduct a concurrent program and budget review. The review this year will consider all program and budget issues and be the primary venue for resolving any programmatic or budget issues arising from the Quadrennial Defense Review. It will be used to verify that programs proposed by Components can be executed within established fiscal guidance and focus on issues that arise during execution and from other fact-of-life changes. Issues previously resolved by the Secretary or Deputy Secretary of Defense will not be revisited.

Your submissions for the concurrent review will be due October 1, 2001. We are currently in the process of developing overall guidance for the review, to include which specific exhibits will be required. All additional information will be provided to you by the Under Secretary of Defense (Comptroller) as soon as the details are completed.
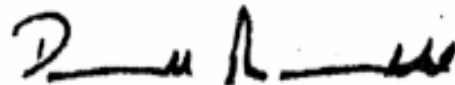
Figure 4: Rumsfeld directs concurrent review in 2001 process

The impact of this memo was dwarfed by the events of 11 September 2001 and subsequently, but it was a process direction and when business-as-usual was resumed, budget process players found that the game had changed. In addition to Rumsfeld's critique of the PPB process, interviews with Navy FMB officials, fleet comptrollers and other DOD financial management executives revealed a number of concerns about the old consecutively phased PPBS process, including concerns about:

- Inadequate Guidance: it was felt that the Defense Planning Guidance issued by SECDEF to initiate the POM process which led to decisions about what to fund for the budget year was often late and unaffordable and did not provide a clear statement of SECDEF priorities.
- Concurrent process flaws: program and budget processes appeared concurrent but were not well coordinated.
- Continuous rework: the POM and budget were subject to disassembly, rebuilding and review every year.
- False precision: programming for the acquisition process required excessive detail and was projected too far into the future years.
- Revisiting decisions: decisions made during one cycle were not always recognized and respected in the next.
- Changing Rules: rules, expectations and metrics complied with in advance by the Navy were changed later in the process to facilitate cuts.

Lastly, FMB executives believed that SECDEF oversight should be limited to those matters of true significance or policy compliance. Here it appears that the Navy budget-makers were trying to keep some military department autonomy, but arguing for relative spheres of decision, some appropriate to SECDEF and some to the military department.

As DOD simplified the PPB process, DON simplified its part of the process by dividing its budget accounts into three tiers, those driven by formula, those focused on procurement and acquisition, and all the rest. The investment accounts tied to weapons, ship or aircraft acquisition accounted for 36% of the Navy budget. While the Military Departments originate some investment account decisions, some are also originated by the CINCs through the Joint Chiefs staffing establishment and cleared through SECDEF and his Acquisition Assistant Secretary. This is an extensive and detailed review from many perspectives, military department, Joint Chiefs, war fighters, area commanders, one in which Congress also has an interest due to concerns over the amount of money required and where weapons will be built. This is the capital side of the operating budget which requires choices about what to build and then constant tending as to how the program is coming each year. The budget reforms of 2002-3 attempted to put the rest of the DON budget on automatic pilot by dividing accounts into those that had a historical base (11% of the budget) and those that had a performance model base (53%) and were driven by formulas. These included such accounts as the flying hour program, the ship operations program, training workload, Marine Corps operations, Aircraft Maintenance, Ship Maintenance, Spare parts, USMC Depot Maintenance, Facilities, and Base Operations. Secondary models included military Personnel (both active and reserve) and Civilian personnel. These models produced cost exhibits, but unlike the first group did not model performance. A manager was designated for each of these formula-driven modules and a validation process was begun to verify that the models were accurate and that the correct inputs were used. The object of the change was that in subsequent budgets these models would automatically provide their part of the budget request and that the performance models would be able to specify outputs from dollars of input.

Those expenses that were driven neither by formula nor investment were termed "level of effort programs." These last items were to be based on a three year rolling average of what was actually spent and increased or decreased as the level of effort varied for the program. This is currently the scheme under which the Navy plans to operate its budget process as it goes forward with reform -- first, with a more formula driven budget and, secondly, with intense interest in the investment accounts and, thirdly, to focus within the base to free up more money for the investment. Implicit in this would seem to be concept that the readiness accounts will be replenished by supplemental appropriations when they become unbalanced by emergency increases in military operating requirements (optempo). Secretary Rumsfeld had expressed impatience in the January 2002 speech with a process that led to 100% preparation of a budget each year for what would turn out to be change to about 21% of it: "So you fashion 100 percent of a budget for a single year, and it comes back having been altered by 21 percent, with thousands of earmarks. That adds the number of people you have to have. It adds the amount of time it takes to do anything. It adds the lack of flexibility if you need -- if the world changes in between, so that you can function."

Certainly DON's changes to its budget process were in keeping with Rumsfeld's philosophical approach to process simplification. The major outcome of this thrust was to divide the process into on-year and off-year cycles.

ON-YEAR CYCLE (2002): CONCURRENT PROGRAM AND BUDGET REVIEW

As noted, in 2002 the PPBES process was changed to run program and budget review concurrently. The figures below show the clear difference between PPB and PPBE with respect to the concurrent operation of the planning and budgeting process.
Fehler! Es ist nicht möglich, durch die Bearbeitung von Feldfunktionen Objekte zu erstellen.Figure 5: PPB before concurrency of budget and POM
Source for Figures 5 and 6: RADM Peter Daly presentation to NPS, 21 January 2004

Figure 5 clearly shows the POM and the budget operating in a sequential mode. In figure 6, the budget and pom operate concurrently. Comparison of both figures shows clearly that this process change does not affect Congress. The PPBE process also appears to include a more extended planning process prior to the POM build. Also of note, the Defense Resource Board has been replaced by the SLRG, the senior leaders review group, which has been meeting every two weeks and is comprised of all the senior leaders in the Department of Defense, including both military and civilian. It is aimed to function like a corporate board, with SECDEF being its chairman. The SLRG will review both the POM and budget builds and settle major issues. It will also function to evaluate and integrate major issues at the start of the process, perhaps with the new SPG (strategic Planning Guidance). In the lower left hand corner of the figure can be see the SLRG review of the budget as well as the review by the combatant commanders (COCOMS). This is a January 2004 presentation and will probably look different at the process develops.

Fehler! Es ist nicht möglich, durch die Bearbeitung von Feldfunktionen Objekte zu erstellen. Figure 6: PPBE in 2004

To put this in historical context, prior to August 2001, the military departments and services developed and submitted their Pomes to OSD for review in May. The services would then start to build their Budget Estimate Submissions (BES) based on the POM. In 2002, military departments and services were required to submit both their budget submission (BES) and their POM to OSD simultaneously in late August. Because of this change, the Navy budget submissions were developed based on Tentative POM (T-POM) control numbers issued in late May. We view this change from the operator perspective with the budget office of the Pacific Fleet (CPF), a large field claimant.

A CPF programming official explained the advantages of the concurrent POM and budget process as follows:

> It eliminates unnecessary duplication of effort. Prior to the change, the POM would be finished in May. Then, budgets would be prepared for OSD review. Emerging issues could cause services to change the program while developing the budget…Gives the services longer to finish the POM while incorporating emergent budget issues. Services can re-visit the program based on budget issues…Prior to the change, OPNAV N80 would finish the program and then it was "out of their hands…The new process leads to more cooperation between programmers and budgeters…I think it [the new process] gives claimants more input into the program…Take Information technology -- if many claimants have issues with funding, it can become a major issue. Now you can revisit the POM; before you couldn't. Claimants can also say they can't execute the program as funded by controls. (Reed, 2002, 61-62)

When the process ran consecutively, coordination was more difficult. If the POM was not completed until after CPF finished its budget, how could the POM guide or control the budget? Neither N-80 nor anyone else could "enforce" POM numbers. Budget staff believed the POM process was flawed, that it operated on a "fair share" principle where priorities were not realistic. They were not confident of the POM process that seemed to "give everybody something." Budget staff had to "fix" the POM in the budget, at least for the budget year. This had consequences for future POM planning that programmers often objected to, because they did not support having the budget drive the POM, especially because it happened virtually every year after 1990 when budget staff was forced to make cuts and corrections irrespective of the POM. For these reasons and others, friction arose between the budget and POM communities. The concurrent POM- budget process may ameliorate some of this tension.

At CPF, comments by the Deputy Comptroller were reinforced by the head of the budget department and the comptroller. Both agreed that the change could provide more coordination between programmers and budgeters. According to the CPF Comptroller,

Secretary Rumsfeld has been talking about transformation and new ways of doing things. He's saying we can't continue to think of things the way we always have. To me, this is transformation applied to resource allocation, programming, budgeting, and requirements determination. They're (OSD) looking to streamline things and make them more efficient, to eliminate redundancies, and to ask questions just once instead of over two different processes… When you have a concurrent process, you're forced to work together. (Reed, 2002, 62)

The budget department head echoed these comments:

> I think the intent was to streamline the process so that there's not so much flux. Before, once the program locked, you had to wait a whole cycle or try to fix the program in the budget. What we're trying to do instead of trying to fix it (the program) in the budget is to make the program executable in the programming stage and only have to concern ourselves with pricing and pop-up issues in the budget…so there also were not as many required exhibits. (Reed, 2002, 62-3).

While there was agreement among CPF staff on the reasoning behind the change to a concurrent program/budget process, there was some disagreement about the new process. Observers noted there was very little direction given as to how the new process was to be implemented. The only guidance provided initially was a one-page memo from SECDEF. The CPF Comptroller indicated that the change to a process that had been conducted in much the same way for many years caused anxiety among personnel within the CPF programming and budgeting organization, but he, "…did not want to be too quick to jump to conclusions." (Reed, 2002, 65) Comments from other staff members were not as encouraging. One analyst described the process as "chaos." As late as late June, 2002, after their original POM 2004 budget had been submitted to FMB based on draft POM control numbers, there were still questions among CPF staff on how the new process would work.

In the end, CPF was able to work through issues related to the concurrent program/budget and submitted their DON FY 2003 budget on-time based on both programming and budgeting changes that occurred as a result of issue papers, comments and reviews at the FMB, N80 and other levels.

It is useful to reflect on how these relationships change because of the change in the PPBES process. According to Thompson (1967), and Nadler and Tushman (1988), there are three types of interdependence in complex organizations:

- Pooled Interdependence
- Sequential Interdependence
- Reciprocal Interdependence

Pooled interdependence occurs when separate units operate independently but are part of the same organization and share certain scarce resources. An example is a bank with several branches. Individual branches function independently of each other but share

certain resources of the main corporate entity such as advertising or marketing. The branch banks do not depend on each other for their functioning.

Sequential interdependence occurs when a unit or task downstream of another depends on the prior unit's output or task completion. Sequential interdependence demands a greater degree of coordination than pooled functions. The work of one unit can be affected by upstream units. Coordination must exist to ensure that workflows remain constant. An example of sequential interdependence would be an oil company. First, oil must be extracted from the ground, then it must be refined into different products, then it is shipped to customers. One task cannot be completed prior to the previous tasks and coordination between tasks must exist to ensure that workflow remains constant. Resources must be expended to maintain such coordination. This type of dependence characterized the pre-2001 separate POM-budget review process.

Under reciprocal interdependence, work groups must work continuously with other units in the production of common products. Reciprocal interdependence imposes substantial problem solving requirements between units because no single unit can accomplish its task without the active contribution of other units. The new concurrent POM-budget review process is an example of reciprocal interdependence. As tasks become more interdependent, the amount of coordination and communication between tasks increases. Reciprocal interdependence represents the highest degree of interdependence and therefore the highest degree of required communication and coordination between units.

As noted, prior to the 2001 POM-budget review change, the system operated during the preparation phase of PPBES with a high degree of sequential interdependence between programming and budgeting where each successive process (programming then budgeting) was dependent on the one prior to it. Once the input was received, downstream tasks were not supposed to have an effect on the output of the previous phase of action, i.e., budget changes were not supposed to cause changes in the existing POM. However, this was not an accurate description of what actually happened as we have demonstrated. The 2001 change to establish a concurrent program/budget review process recognized that in reality there is a high degree of reciprocal interdependence between the two functions. Actions taken during the budgeting phase of PPBES have significant impact on the upstream process of programming.

Personnel at CPF long recognized the reciprocal nature of planning and budgeting. Had the threat and budgetary environment been stable, perhaps no PPBES changes would have been necessary. However, neither condition held. The threat environment was not stable and the budgetary environment fluctuated during the 1990s and with the advent of the war on terrorism as operating tempo remained high in response to contingencies. As a result, there was friction throughout the system, most significantly at the top where the old PPB system was not producing the outputs desired by Secretary Rumsfeld quickly enough. The problems with PPBS that irritated Secretary Rumsfeld had been identified by critics for decades but it took a determined SECDEF to make changes (Puritano. 1981; Jones and Bixler, 1992: 32).

Off-year Cycle (2003): Limited, Incremental Change

On February 3, 2003, DOD Comptroller Dov Zakheim presented the new DOD biennial budget part of the reform with the release of the President Bush's Fiscal Year 2004 defense budget request. Zakheim indicated that DOD would use the off years when budgets would not be prepared from scratch to examine how well DOD was executing its programs and dollars (Secretary of Defense, 2003a). He noted that as of this budget (FY 2004) FY-05 would be an "off year" in which only significant revisions to the budget would be requested from Congress. This meant that the budget process conducted during the summer and fall of 2003 to prepare the FY2005 budget would be significantly changed. For example, DOD will not prepare the Program Objective Memoranda (POM) or budget estimates for FY-05. Instead, OSD will use estimates for FY 2005 as they were estimated in the FY 2004 budget and Future Years Defense Program (FYDP), which covers FY 2004 to FY 2009. An updating mechanism has been created for the off-years, e.g. FY05.

Military Departments and CINCS may create Program Change Proposals (PCPs) to affect the POM and Budget Change Proposals (BCPs) to speak to new budget needs. The PCPs allow for fact of life changes to the previous year's POM; they are meant to be few and of relatively large size. Guidance for 2003 indicated the PCPs had to exceed a set dollar threshold or have serious policy and programmatic implications. For example, in 2003 the Navy submitted only three PCPs, one worth $100 million that involved 450 line items. The Navy would submit only three PCP's in 2003. For all of DOD the number of PCPs was estimated to be about 120. For the CINCs, the PCPs are a new tool provided them in the PPBE process, but like the military departments, they have to suggest offsets. For example, if a CINC wants to increase force protection in one area at a certain cost, he has to suggest weakening force protection in another area as an offset for the increase. This is meant to be a zero-sum game. Changes have to be accompanied by offsets or billpayers. As is usual with any offset procedure, claimants who submit either PCPs or BCPs take the risk that the offsets they suggest will be accepted, but the accompanying change proposals the offsets were intended to fund might not be. In such cases, the offset reveals a pot of money for a lower priority item that might be directed to another area. The budget change proposals were expected to be more numerous but smaller. They too would be largely fact of life changes (e.g. cost increases, schedule delays, new congressional directives) and would have to be paid for by offsets. Although the individual BCP need not be offset, the package of offsets provided by a Military Department has to be offset and provide a zero balance change. The FY 2006 budget request will be prepared completely anew, marking the first biennial POM and budget in the new two-year cycle. A Defense Planning Guidance will be prepared by OSD to guide the FY 2006 process.

In April 2003 Defense Secretary Donald Rumsfeld canceled the 2005 DPG due to the budget process changes announced in February by Zakheim to concentrate Pentagon analytical resources on determining whether Saddam Hussein's ouster and the progression of the war on terrorism had mandated additional changes in the Bush administration national defense strategy. In addition to prioritizing how OSD believes military dollars should be spent in upcoming years, the DPG typically calls for studies on top issues and indicates new strategies to be undertaken. Rumsfeld's action violated no rules, as the Secretary of Defense is not legally required to prepare an annual Defense Planning Guidance.

The reform of PPB was both part of and separate from a greater effort for defense transformation. A statement supporting the "Defense Transformation Act for the 21st Century" (DTA) was delivered by Deputy Secretary of Defense Paul Wolfowitz to the House Government Reform Committee on May 6, 2003 (Wolfowitz, 2003). Wolfowitz indicated the desire of the Bush administration and Secretary Rumsfeld to implement broad management, financial and budgetary reform in DOD. Subsequent to this presentation, Congress later passed portions of the DTA as part of the Defense Authorization Act of 2003, but was reluctant to give DOD certain broad discretionary powers that it had sought in certain areas. Prior to submission of DTA to Congress in final form on April 10, 2003 in the months leading up to its formal delivery, DOD convened more than 100 meetings with members and staff to develop and debate its various provisions.

The Defense Transformation Act for the 21st Century represents comprehensive reform to address serious problems in DOD management systems. The Act is intended to provide the military departments and services greater flexibility to respond effectively to changing threats and the ability to move resources more rapidly, and to put new weapons systems in the field more quickly. The Act includes more flexible rules for managing the flow of money and personnel in DOD to facilitate response to threat requirements. The DTA includes authority for DOD to convert a number of non-military functions that have been assigned to DOD over the years to other, more appropriate departments. The DTA authorizes elimination of regulations that make it difficult for small firms to do business with DOD. It includes expanded authority for competitive outsourcing to move military personnel out of non-military jobs and back into the field. It also includes measures to protect military training ranges. In support of the DTA, Secretary Rumsfeld made a plea for greater delegation of authority and freedom from micromanagement from Congress (Rumsfeld, 2003: 35). He cited that:

- The defense authorization bill had grown from only one page in 1962 to a "whopping" 534 pages in 2001.

- DOD is required to prepare and submit some 26,000 pages of justification and more than 800 required reports to Congress each year -- many of marginal value, most probably not read. Since 1975, the time it takes to produce a new weapons system has doubled, even as new technologies are arriving in years and months, not decades. (Rumsfeld, 2003: 35)

The possibility of obtaining increased delegation of authority from Congress to DOD has captivated defense budget analysts and reformers since the late 1960s. Prior to the 1960s the defense program and budget was approved in a far less controversial manner than the way the process has operated since "hawks' and "doves" began a protracted battle in the halls of Congress over the Vietnam war. Objections to the Vietnam War and the spending plans of President Lyndon Johnson caused an increase in congressional authorization and appropriation detail and specificity, and greater budget execution oversight. The need for more managerial flexibility and delegation of authority from

Congress in budget execution has been supported by critics of congressional defense budgeting and management for decades (Jones and Bixler, 1992; Gansler, 1989; Fox, 1988; Kanter, 1983, Augustine, 1983; Luttwak, 1982).

Delegation of budget execution authority is an important issue because it is highly relevant to (a) the assessment of defense budget process reform, (b) analysis of proposals to reformulate defense priorities, and (c) changes in defense spending. This fact has not been lost on DOD leadership. For example, former Defense Secretary Carlucci asked Congress for increased managerial powers at the end of the Reagan administration in 1988. Former Defense Secretary Dick Cheney proposed six acquisition programs in the 1991-1994 time frame for execution without congressional oversight as a test of the DOD ability to operate efficiently independent of external micromanagement. Congress did not approve this request.

Some elements of the change proposed in the DTA in the acquisition area were designed to formalize procedures preferred and already practiced by Secretary of Defense Donald Rumsfeld. One such change was to bring decisions on major acquisition buys up to SECDEF more quickly, before final decision were, in effect, already made elsewhere in the Pentagon. This change was proposed in the DTA to allow any SECDEF to make such decision outside of the formal PPBES and acquisition cycle processes. Obviously, this might be an advantage as long as SECDEFs wished to make such decisions, and were good at it. This approach appealed to the centralized decision making style of Donald Rumsfeld.

For example, cancellation of the Army Crusader heavy-artillery system is an example of a transformation decision Secretary Rumsfeld made and won out on over institutional opposition, but it was a close-run struggle. If all major acquisition negotiations are this hard, and there is no reason to expect them to be easier, then such successes for future Secretaries of Defense will have their price and will be few in number. Just as with any strong leader, Secretary Rumsfeld made enemies within the defense establishment by this decision, in the Pentagon and Congress and in industry. Not everyone wants to be transformed.

Congress also felt that the DTA would concede too much power to SECDEF, diminishing Congress's ability to do oversight. For example, Rep. David Obey (WI) of the Appropriation Committee, and Rep. John Spratt (SC) of the Budget Committee (Obey and Spratt, 2003) argued that the changes requested by DOD in the Defense Transformation Act would impede the ability of Congress to perform the oversight responsibilities vested in it by the Constitution in Article 1, Section 9, Clause 7, "No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time." (Obey and Spratt, 2003: 2) The letter admitted there were weaknesses in federal personnel practices, but opposed the changes requested by DOD because no new DOD system had been brought forward for review and the grant of authority requested would leave the Secretary of Defense free to rewrite the rules governing 700,000 DOD civilian employees with, "…absolutely no consultation with Congress." (Obey and Spratt, 2003: 4)

The DTA also proposed eliminating 100 reports to Congress and proposed eliminating the remaining reporting requirements after five years. In the acquisition area, the Selected Acquisition Reports would no longer be provided Congress. The Obey-

Spratt letter argued these were critical to Congress and its agent GAO obtaining information to discharge its oversight responsibilities. In particular, they said that the Selected Acquisition Reports (SARs) provided information about cost overruns, technical failures and schedule delays in weapons development. The authors argued that the DTA as proposed resulted in an "…unprecedented reduction in Congressional oversight and accountability, and in some cases unlimited increases in the powers of the Secretary of Defense." (Obey and Spratt, 2003: 2)

In conclusion, Representatives Obey and Spratt asked why Congress should, "…rush to overhaul an organization that has yet again demonstrated its ability to perform to the highest standards on the battlefield." (Obey and Spratt, 2003: 12) While Republicans generally supported the Wolfowitz DTA proposal, the argument went beyond party lines as serious questions were raised about the potential of the reforms to endanger congressional ability to fulfill its constitutionally mandated oversight role. History indicates that Congress moves slowly, or not at all, in delegating its prerogatives with respect to defense.

It may be observed that many of the defense transformation reforms proposed (and some implemented in the early 2000s) do not require congressional approval, unless Congress specifically deems otherwise, e.g., members can call for ad hoc committees or standing committees to hold hearings on virtually any topic as they please. In the past, most changes in PPBS have been accomplished without explicit congressional approval. However, in some cases DOD initiatives have been quashed quickly, e.g., DOD Comptroller Robert Anthony's Project Prime in the 1960s (Jones and Thompson, 1999; Jones, 2001b). Alteration of the PPBE system from a linear decision profile to one that is clearly linked to the Presidential electoral cycle did not require congressional approval. PPBES is a DOD internal budgeting system and traditionally DOD has been free to restructure it as desired.

Because the 2001-2003 PPBES reforms were made without explicit congressional approval, we may ask what this means with respect to the desirability of further delegation of authority from Congress to DOD. From our view, the PPBES cycle timing changes were sensible given that new administrations rarely have the people in place or the insights necessary to put programs in place and prepare budget initiatives in the first year (the administration of Ronald Reagan is a notable exception). Thus, designating the first year for review of national security strategy and the work on the Quadrennial Defense Review sets the scene for a complete budget build in the second year. Designating the off years as years of minimal change, but allowing mechanisms for changes that do need to be made separately in program change proposals and budget change proposals also seems sensible and should cut down the turmoil involved in a complete POM-Budget rebuild each year. Therefore, we conclude that in this case, DOD change initiatives moved in the right direction without any supervision or oversight from Congress. In fact, if Congress had been involved one wonders whether any change would have taken place at all. Issues that seem non-partisan from the perspective of the Executive branch almost always become partisan when they reach the Hill. In summary, the sweeping grants of power proposed in the Defense Transformation Act provoked another round in a long running series of debates over delegation of congressional authority.

CONCLUSIONS

With respect to long-range DOD planning in the first phase of PPBES, we may observe that during the 1990s it was clear that the shift from a Cold war mentality to a new framework was proceeding slowly. The gist of what was necessary in the post-Cold war world did not seem clear. Despite all the discussion of asymmetric threat and successive preparation and reviews of the QDR, much of the defense budget seemed focused toward a Cold War scenario. Meanwhile the defense establishment was contracted by about 35% and U. S. forces were employed in a large number of small scale conflicts in the 1990's after the first Gulf War. Still, the precise nature of the threat was not clear; was our own activism a problem, were there really inimical forces out there, and if so, what was needed were all difficult questions. The terrorist attack of September 11, 2001 ended this period of doubt and confused reflection.

It is routinely acknowledged that the planning component has been the weakest part of PPBS for decades. Part of this is due to the contingent nature of threat assessment, while other impediments include the sheer volume of information and absence of data coordination. In order for DOD to plan to counter threat effectively, it seems to us that a capabilities-based planning process within PPBES, rather than a theater-based approach, is one way to tear loose from the old bipolar geographic analyses that focused on the USSR, potential enemies in Asia or elsewhere. Instead, it is critical to ask what capabilities the U. S. needs to meet threats wherever they occur, especially given that the terrorist threat has a personal or group basis less geographically bound.

The deployment of U. S. forces since September 11, 2001 illustrates new concepts in joint operation, the use of Special Forces and the application of joint forces in unique ways, supported by traditional forces using traditional doctrines. Nonetheless, it is a new mix. Much of the transformation in military affairs that has been ongoing since the mid-1990s is driven by new threats that seem to emerge almost daily. All this points to the ties between changes in military war fighting and PPBES planning.

It is obvious that important changes have been made in the DOD planning and budgeting process. The simultaneous execution of the POM and budget review and its consolidation into one data base is an important change. In the old system, a good POM could still be lost on the way to the final budget. In addition, sometimes the budget process ended up doing a lot or reprogramming and re-making of decisions that would have been better done in a POM exercise. For example, the 2003 POM process started by doing a pricing review of the shipbuilding budget. This is a budget drill and in the old PPB system would have been done in the budget process long after the POM had been completed. Observers comment that when such drills (re-pricing the shipbuilding account for inflation etc.) result in a big bill that has to be paid, it is good to have that bill considered and paid up front at the beginning of the process in the POM where large dollar changes can be made more easily. They also felt that doing the POM and budget simultaneously should result in fewer surprises and less re-programming of changes to the POM in the budget process than there used to be. They felt that the process should be quicker, but less linear, a layered process rather than a sequential process. The routing of all products of the POM and the budget into one database was seen to be a significant move to help resolve some of this added complexity.

Secondly, the outcome focus of the process is an important change. Secretary Rumsfeld has emphasized outcomes and the Navy approach illustrates this concern in two ways. The procurement accounts are focused around the outcomes each weapon system bought will provide and the performance models for steaming hours and flying hours are also outcome focused. As has been stated above, this covers almost 90% of the Navy budget. Nevertheless, Congress still appropriates by line item and DOD has to be able to translate capabilities into budget items and make winning arguments for those translations. The fact is that budget lines (line-items) make it easy for Congress to buy things and what has not changed is where the power of the purse is located. In the words of one DOD budget player, "…there are a lot of changes, but what has not been changed is the Constitution. Changes will end when they bump into things that are Constitutional. The appropriation process is still a congressional process and changes in the pentagon process have to be responsive to the needs of Congress. The menu of changes the pentagon can pursue is not unlimited."

Thirdly, the new process put SECDEF into the process at the early stages, "in the driver's seat," in the words of one budgeteer. Decisions in the new PPBES are intended to reach the Secretary before the decision has become a foregone conclusion, while options are still open, and while important and large-scale changes can still be made. When SECDEF inputs come at the end of the stream of decisions, some decisions that could be taken get pre-empted simply because they might cause too much breakage in other programs or because everyone has already become committed to the likely outcomes of the decision. Secretary Rumsfeld had a clear interest in transformation, but not all communities within the defense establishment were equally committed or committed at all to Rumsfeld's vision. As we have noted, inserting SECDEF in the decision process early stands up so long as history proves the decisions SECDEF makes are right. While this is true whether SECDEF input is early or late, inserting SECDEF early in the PPBES process puts a larger burden of proof on SECDEF. Veteran observers see these changes as an evolving process, cautioning officers bound for the pentagon in a couple of years not to bother memorizing the new process until they get there, since it has changed significantly since 2001 and will continue to change.

Lastly, the new emphasis on execution seems an important change, but it is too early to speculate on how this will turn out. It seems clear that no one wants to be viewed as decreasing military effectiveness in the name of saving dollars. Through 2003 a continuing theme of administration critics was that the U.S. was trying to do Iraq "on the cheap" with not enough troops and not enough of the right kind of troops. If the new emphasis on execution becomes a code word for efficiency and this is parsed into "doing things on the cheap," then the emphasis on execution will not have important or long lasting effects.

The 2003 budget process within DOD was dramatically changed. It exemplified incrementalism triumphant. Only changes to the POM and the budget were brought forward in 2003. This is a dramatic change from past. Aaron Wildavsky in developing the concept of incrementalism may have ignored defense, but DOD appears to have gone to school on Wildavsky. The result of the 2003 budget process is that unless a budget change proposal is explicitly approved, then a unit's budget is the same as it was the previous year; in Wildavsky's terms, the base is re-appropriated. Thus, if a unit does well in the on-year cycle (second and fourth year), it may carry some 'fat' through the off-

years. This would seem to intensify the struggles during the on-year processes, making the stakes higher. Success is rewarded for two years and failure is doubly penalized, i.e., to change in the off year, off-sets have to be offered up, so the only way to get better in the off-year is by giving up something else. Moreover, unless the threat changes dramatically, in the off-year cycles, only changes to the base are explicitly considered, both in the Program Change Proposals for the POM (big dollar numbers, but fewer of them) and Budget Change Proposals for the budget (more, but smaller dollars). However, there is an interesting twist to this. Changes may come from anywhere someone has an issue, e.g. the military services, combatant commanders, and Assistant and Undersecretaries of Defense.

Budget processes normally focus around ownership. For example, the concept of a claimant or a budget submitting office identifies who will submit a budget. They alone control what goes into this submission. This new process seems to empower friends and neighbors to examine how a neighbor is managing his property and submit a program or budget change proposal if the neighbor is not doing the right things, by for example putting in a budget change for more frequent mowing of the lawn or a program change for construction of a two car garage. Suppose an Under Secretary of Defense believes the Army should provide more force protection to an Air Force base and submits a program change proposal to do so; since these must have offsets, who will be designated as billpayer is a good question. The Under Secretary is unlikely to have any money; thus Army might have to pay that bill or Air Force. No matter who is chosen to be the billpayer, they will have to make an adjustment to their budget, just as you would were a neighbor able to dictate that you have to paint your house more frequently and pay for it by decreasing your entertainment budget. Thus, this new system is incrementalism with enhanced pluralism. Disinterested neighbors with good ideas have the opportunity to insert them in other people's budgets. Some observers will say that some of this has always gone on, but now the process is formal and invitations have been extended to players at various levels within DOD. Then, during the second and fourth years of this new PPBES cycle, zero-based budgeting is invited, based on the Quadrennial Defense Review and the National Security Strategy. This seems like a scenario doomed to fail because complex organizations have difficulty in adapting to radically different routines, e. g. incremental and zero-based procedures. For DOD, it must be remembered that the full year cycles are largely incremental also, given no dramatic change in the threat. This new process is likely to work most satisfactorily only at the top and only if top-level players are somewhat restrained about their intrusions into the domains of other players.

The lag time for full and satisfactory implementation of DOD-level macro changes in planning, programming and budgeting is probably two to four years, although many wrinkles will be worked out by the military departments after the first new cycle has been completed. However, it is understood by seasoned observers of such change that the solutions and new processes developed by the military departments will differ by service and therefore some degree of incompatibility between different service solutions is inevitable despite the intention of DOD decision makers to prevent this from happening. DOD prefers uniformity, but this is not possible, and probably not desirable, given the highly differentiated resource management systems and processes used by the respective military departments and services.

In defense of diversity it may be observed that any system developed by DOD should serve the needs of its constituents, i.e., the military departments and services. From the view of the Office of the Secretary of Defense, diversity in implementation of reform is an annoyance at best, and a direct violation of authority at worst, to be illuminated and eliminated. However, the power of OSD is not such that it can mandate what the military departments and services, as semi-autonomous operating entities, will do in implementation of any DOD directed reform, or congressionally mandated reform for that matter, e.g., the CFO Act or the Government Performance and Results Act.

This conclusion is not based on examination of reforms (e.g., Management Improvement Decision 913) in formal lines of authority and management control in the Department of Defense, nor on how differences in old and new systems are depicted in

highly detailed, multi-colored graphics and tabular "wiring diagrams" of the type typically used in Pentagon level briefing slides. Rather, it is based upon examination of how process changes actually are incorporated into existing systems in the real world of comptroller-based financial management in a highly decentralized and diverse organization – the U.S. Department of Defense. It is axiomatic to observe that no matter what reforms successive Defense Secretaries wish to implement, what will be done in reality is more a matter of evolution of existing military department and service based systems rather than transformation of a single centralized system. In practice, DOD cannot be centrally managed and controlled, and any assumption that such control is possible is a combination or wishful thinking and fantasy.

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