

RESHAPING THE DEFENSE ENTERPRISE

Just as we must transform America's military capability to meet changing threats, we must transform the way the Department works and what it works on. We must build a Department where each of the dedicated people here can apply their immense talents to defend America, where they have the resources, information and freedom to perform... It demands agility—more than today's bureaucracy allows. And that means we must recognize another transformation: the revolution in management, technology and business practices. Successful modern businesses are leaner and less hierarchical than ever before. They reward innovation and they share information. They have to be nimble in the face of rapid change or they die.

*Donald H. Rumsfeld, Secretary of Defense,
September 10, 2001*

To win the long war, the Department of Defense must reshape the defense enterprise in ways that better support the warfighter and are appropriate for the threat environment. Today, the armed forces are hampered by inefficient business practices. The Department's current structure and processes are handicaps in the protracted fight we now face against agile and networked foes. Over the last twenty years, the Department has increasingly integrated its warfighting concepts, organization, training and operations to create the world's most formidable joint force. Sustaining continuous operational change and innovation are a hallmark of U.S. forces. The Department's organizations, processes and enabling authorities urgently require a similar

transformation. The Department's approach is to improve significantly organizational effectiveness, and in so doing, reap the rewards of improved efficiencies.

The 2001 QDR highlighted the loss of resources, in terms of people and dollars, caused by inefficiencies in the Department's support functions. The Department responded with a comprehensive effort to streamline business and decision-making processes, with the express goal of better supporting the joint warfighter. Since 2001, the Department has moved steadily toward a more integrated and transparent senior decision-making culture and process for both operational and investment matters. The Department has made substantial strides in fostering joint solutions, including the creation of new organizations and processes that cut across traditional stovepipes. It has standardized business rules and data structures for common use. Most importantly, the Department has made notable progress toward an outcome-oriented, capabilities-based planning approach that provides the joint warfighter with the capabilities needed to address a wider range of asymmetric challenges.

Recent operational experiences have demonstrated the need to bring further agility, flexibility and horizontal integration to the defense support infrastructure. The Department has responded to that need with several innovations in its organizations and support services. Three examples of such innovations are the Joint Improvised Explosive Device (IED) Defeat Task Force, the Joint Rapid Acquisition



Cell and improved supply-chain logistics.

In both Iraq and Afghanistan, the terrorist weapon of choice remains the improvised explosive device, normally taking the form of roadside bombs, suicide car bombs and a variety of remotely initiated devices. To counter the threat posed by these weapons, the Department created the Joint IED Defeat Task Force. The Task Force unified all Department efforts to defeat IEDs, combining the best technology solutions with relevant intelligence and innovative operating methods. In Fiscal Year 2005, the Department invested more than \$1.3 billion in IED Defeat initiatives, including counter-radio controlled IED electronic warfare, IED surveillance, the Joint IED Defeat Center of Excellence, counter-bomber programs and stand-off IED detection and neutralization. The Task Force has also provided funds for training to military units en route to operational theaters as well as expert field teams that work directly with units in Iraq and Afghanistan. Since the Task Force's inception, the Department has decreased the IED casualty rate by a factor of two.

Photo by Technical Sergeant
Russell E. Cooley IV, U.S. Air Force.



A Talon 3B tracked robot waits for its next command after an improvised explosive device was detonated in Baghdad, Iraq. The increasing use of robotics has improved U.S. force protection significantly in Operation Iraqi Freedom.

The Joint Rapid Acquisition Cell (JRAC) is another innovation that grew out of U.S. experiences in Iraq and Afghanistan. The Department's standard processes for providing materiel and logistics proved too slow and cumbersome to meet the immediate needs of forces in the field. Recognizing this deficiency, the Secretary of Defense established a cell dedicated to finding actionable solutions to urgent warfighter needs. The JRAC has supported efforts that provided military personnel key force protection items such as the Advanced Combat Helmet, lightweight Global Positioning System receivers, improved ammunition packs and individual weapon optics. Working with the Military Departments and Combatant Commands, this initiative has accelerated development and delivery of more than a dozen critical programs, from intelligence collection and dissemination to enhanced force protection.

Improved support to the warfighter has occurred in the logistics chain as well. The Department vested leadership of the complex distribution process in a single owner, the U.S. Transportation Command (U.S. TRANSCOM). Exercising its new role, U.S. TRANSCOM established a Deployed Distribution Operations Center in Kuwait to speed the flow of materiel into Iraq and Afghanistan in support of coalition operations. The Center quickly assembled a team of logistics experts and gave them authority to direct air and seaport operations and cross-country moves in the theater. Lead times for stocked items dropped by more than 45% since the peaks recorded in 2003. Better synchronization of transportation assets allowed the Army to cut costs by \$268 million in



Fiscal Year 2004. On-time delivery rates are now at over 90%. The Center's process innovations improved mission performance at less cost to the Department and the American taxpayer.

Department reforms since 2001, including those innovations born of wartime necessity, represent the types of changes the QDR has sought to accelerate.

Toward A New Defense Enterprise

The Department's enterprise reforms are guided by a three-part vision:

- First, the Department must be responsive to its stakeholders. Not only must the Department's support functions enhance the U.S. military's ability to serve the President and provide a strong voice for the joint warfighter, it must also provide the best possible value to the American taxpayer. The Department will work to improve effectiveness dramatically across civilian and military functions as the foundation for increased efficiency.
- Second, the Department must provide information and analysis necessary to make timely and well-reasoned decisions. The Department's culture, authorities, and organizations must be aligned in a manner that facilitates, rather than hinders, effective decision-making and enables responsive mission execution while maintaining accountability. Improved horizontal integration will be critical to the Department's success.
- Third, the Department must undertake

reforms to reduce redundancies and ensure the efficient flow of business processes. As we capitalize on existing transformational efforts across the enterprise, we will continually evaluate support systems and processes to optimize their responsiveness.

To achieve this vision and produce strategy-driven outcomes, the Department's roles and responsibilities, and those of each of its component organizations, must be clearly delineated. Roles and responsibilities within the Department of Defense fall into roughly three categories. At the senior-most levels, leaders are concerned with *governance* – setting strategy, prioritizing enterprise efforts, assigning responsibilities and authorities, allocating resources and communicating a shared vision. In order to meet the strategic objectives set out by the Department's senior leadership, some components act in a *management* role, focusing on organizing tasks, people, relationships and technology. The vast majority of the Department's personnel then *work* to execute the strategy and plans established at management level.

In the 2006 QDR, the Department looked across these three levels of responsibility – governance, management and work – to ensure that organizations, processes and authorities are well aligned.

Governance Reforms

Senior Leadership Focus

A key measure of success is the extent to which the Department's senior leadership is able to



fulfill the following functions:

- Strategic Direction – Identify the key outputs – not inputs – they expect from the Department’s components and determine the appropriate near-, mid-, and long-term strategies for achieving them. Such outputs will be focused on the needs of the President as Commander in Chief and the joint warfighters.
- Identity – Establish an organizational culture that fosters innovation and excellence. Communicate the Department’s strategy, policy and institutional ethos to the internal workforce and to external audiences.
- Capital Acquisition and Macro Resource Allocation – Shape the Department’s major investments in people, equipment, concepts and organizations to support the Nation’s objectives most effectively.
- Corporate Decision Making – Implement agile and well-aligned governance, management and work processes. Ensure the Department has the processes, tools and transparent analyses to support decisions.
- Performance Assessment – Monitor performance to ensure strategic alignment and make adjustments to strategic direction based on performance.
- Force Employment – Determine how U.S. forces are utilized and meet the day-to-day oversight needs of the joint force. Operational matters are the responsibility of the joint warfighters. The Department’s senior civilian and military leaders ensure that forces

are employed in ways that meet the President’s strategic objectives.

The Department will work to better align processes, structures and, as necessary, authorities to improve its senior leaders’ ability to govern in these core areas. Today, the Office of the Secretary of Defense and the Joint Staff perform many functions beyond those identified above, including program management and execution. To ensure that senior leadership can maintain focus on the key governance issues elaborated above, the Department will identify management and execution activities currently being conducted at the governance level and consider them for elimination or realignment.

Build Capability to Inform Strategic Choice

To better support the joint warfighter, the Department is launching several initiatives to integrate the processes that define needed capabilities, identify solutions and allocate resources to acquire them. The following four interrelated reforms emphasize the need for improved information-sharing and collaboration.

First, the Department will implement a more transparent, open and agile decision-making process. To do this, common authoritative information sources will be identified, Department-level financial databases will be combined, and common analytic methods will be adopted. For example, the Department is testing a number of tools that could provide common capability views using existing resource and programming databases. One such pilot project



is a transparent integrated air and missile defense database. Experimenting through such pilots, the Department will seek to identify and rapidly develop preferred capability area solutions that will facilitate open and agile decision-making.

Second, the Department will reach investment decisions through collaboration among the joint warfighter, acquisition and resource communities. Joint warfighters will assess needs in terms of desired effects and the time frame in which capabilities are required. Assessments of potential solutions should be informed by the acquisition community's judgment of technological feasibility and cost-per-increment of capability improvement, and by the resource community's assessment of affordability. These inputs will be provided early in the decision-making process, before significant resources are committed. Once an investment decision has been approved, changes will require collaboration among all three communities at the appropriate decision level to ensure strategy-driven, affordable and achievable outcomes.

A recent, much-needed restructuring of the troubled Joint Tactical Radio System (JTRS) program exemplifies this collaborative approach. Because the radio system must be interoperable with other systems across the full spectrum of the joint force, decisions regarding the future of the JTRS program had profound effects throughout the Department. To ensure a solution that will meet the joint warfighter's needs and provide best value to the taxpayer, the warfighting and acquisition communities worked closely together to develop the investment strategy and

the Military Departments contributed needed resources for the restructuring.

Third, the Department will begin to break out its budget according to joint capability areas. Using such a joint capability view – in place of a Military Department or traditional budget category display – should improve the Department's understanding of the balancing of strategic risks and required capability trade-offs associated with particular decisions. The Department has already developed and tested at U.S. Pacific Command an automated process that maps resource needs to discrete operational plans and missions. For the first time, a Combatant Commander is able to ascertain the resource requirements associated with particular capabilities, such as striking fleeting targets. The Department is working to expand on this program to enable Department-wide assessment of capability areas and facilitate capability portfolio management and will explore this approach with the Congress.

Fourth, to manage the budget allocation process with accountability, an acquisition reform study initiated by the Deputy Secretary of Defense recommended the Department work with the Congress to establish "Capital Accounts" for Major Acquisition Programs. The purpose of capital budgeting is to provide stability in the budgeting system and to establish accountability for acquisition programs throughout the hierarchy of program responsibility from the program manager, through the Service Acquisition Executive, the Secretaries of the Military Departments and the Office of the Secretary of Defense.



Together, these improvements should enable senior leaders to implement a risk-informed investment strategy reflecting joint warfighting priorities.

Aligning Authority and Accountability through Joint Capability Portfolios

Most of the Department's resources are provided through the Military Services. This arrangement can lead both to gaps or redundancies within capability areas as each Service attempts to supply a complete warfighting package rather than organize to depend on capabilities provided by other Military Departments. To optimize the provision of capabilities for the joint warfighter, the Department will work to re-orient its processes around joint capability portfolios. In the acquisition realm, the Department has already instituted several joint capability reviews. These reviews look across major force programs to assess needed investments in specific capability portfolio areas such as integrated air and missile defense, land attack weapons and electronic warfare.

The QDR used such a portfolio approach to evaluate surveillance capabilities. The Department began by accounting for all of its current and planned surveillance capabilities and programs. This included a transparent review of capabilities at all levels of classification. Viewing capabilities across the entire portfolio of assets enabled decision-makers to make informed choices about how to reallocate resources among previously stove-piped programs, to deliver needed capabilities to the joint force more rapidly and efficiently.

The Department will build on these initial efforts to integrate tasks, people, relationships, technologies and associated resources more effectively across the Department's many activities. By shifting the focus from Service-specific programs to joint capabilities, the Department should be better positioned to understand the implications of investment and resource trade-offs among competing priorities. As a first step, the Department will manage three capability areas using a capability portfolio concept: Joint Command and Control, Joint Net-Centric Operations and Joint Space Operations. As we learn from experience and gain confidence in this approach, we plan to expand it to other capability areas.



DoD Photo.

High Speed Vessel Two participated in a 2003 exercise with West African nations. The follow-on Joint High Speed Vehicle (J-HSV) is a joint experiment between the Navy, Marines, Army and Special Operations Command utilizing a modified high speed, lightweight commercial ferry produced in Australia for potential U.S. military usage. Future variants of the J-HSV will provide a capability to transport significant ground forces at high speeds into shallow water ports without modern unloading equipment.

Managing Joint Task Assignments

Effective governance is facilitated by the clear alignment of authority, responsibility and resources at the management level. Some of the most difficult challenges in governance



arise when joint management arrangements cut across the traditional and often statutory authority structure of the Military Departments and Defense Agencies. The establishment of the Combatant Commands created new sources of demand for joint capabilities separate from the organizations with responsibility to supply them.

For example, when a program or mission is identified as a priority area, the Secretary may choose to direct an organization to manage or resource the joint effort for the Department. In the past, this has been accomplished by designating a component or activity as the “Executive Agent” – a term the meaning of which varies widely from one arrangement to the next. When the responsibilities for joint management activities are not clearly defined or strategically aligned, implementation is problematic and resources are used less efficiently.

This QDR underscores the need for a better way to organize and manage joint activities to ensure that mission assignment is accompanied by the authorities, resources and clear performance expectations necessary for mission success. Consequently, the Department is implementing a disciplined process for assigning joint missions and tasks and evaluating their resource priority. The Joint Task Assignment Process will centrally assign and oversee joint management arrangements to ensure joint activities are aligned to the Department’s strategic objectives; designated with the proper authorities, responsibilities and resources; effectively structured to minimize overlaps and gaps; established with clear lines of accountability; and

continually assessed for performance and need.

Driving Business Transformation

The Defense Business Systems Management Committee (DBSMC) was established to improve governance of the Department’s business transformation effort. The DBSMC is a top-level, single point-of-decision mechanism that brings together senior leaders from across the enterprise to drive business process change and improve support to the joint warfighter. The Department also developed an Enterprise Transition Plan and associated Architecture to guide transformation of the Department’s business operations. The DBSMC will govern execution of the Enterprise Transition Plan by ensuring accountability and increasing senior leadership direction.

To ensure alignment with the business transformation strategy, the Department has created Investment Review Boards to evaluate programs of record against the Enterprise Architecture. Funds cannot be obligated for any business system investment not certified by the appropriate official and approved by the DBSMC to be in compliance with the Department’s architecture.

More recently, the Defense Business Transformation Agency (BTA) was created to integrate and oversee corporate-level business systems and initiatives. The BTA is the management link responsible for integrating work across the Department in areas such as human resources, financial management, acquisition, and logistics. It is accountable to the DBSMC governing body for results.



Managing Risks and Measuring Performance Across the Enterprise

In the 2001 QDR, the Department introduced a risk management framework to enable the Department's senior leadership to better balance near-term demands against preparations for the future. This balanced risk approach has been successfully implemented in a number of organizations throughout the Department to guide strategic planning and day-to-day management. The Department is now taking advantage of lessons learned from this initial implementation phase to refine and develop a more robust framework to enable decision-making.

The Department will reevaluate its enterprise-wide outcome goals to maintain strategic alignment and ensure the Department's objectives are clearly set forth. The Department will also evaluate and develop or refine the metrics to measure efforts to implement the strategy to provide useful information to senior leadership. Improved metrics will allow senior leaders at the governance level to manage by exception—monitoring the overall health of the organization and focusing attention on areas needing top-level direction and support. Each level of the enterprise is accountable for measuring performance and delivering results that support the Department-wide strategy. Organizations must have the autonomy needed to perform within guidance, but with adequate oversight to ensure strategic alignment.

Additional Governance Reforms

The Department is considering additional initiatives aimed at improving governance in each of the five corporate focus areas. These include the following:

- Designating a single lead advocate for the future joint warfighter in order to improve the Department's long-range, joint perspective on the requirements, acquisition and resource allocation processes.
- Creating new horizontal organizations to better integrate the Department's activities in key areas, including strategic communication and human capital strategy.
- Migrating toward a shared services model for support functions, such as administration, management and computer support.

Although reforms cannot occur overnight, the course is clear. The complex strategic environment demands that our structure and processes be streamlined and integrated to better support the President and joint warfighter. The Department is committed to doing so.

Management and Work Reforms

Beyond governance, this QDR identified opportunities for continued transformation of acquisition and logistics processes.

Improving Defense Acquisition Performance

There is a growing and deep concern in the Department of Defense's senior leadership and



in the Congress about the acquisition processes. This lack of confidence results from an inability to determine accurately the true state of major acquisition programs when measured by cost, schedule and performance. The unpredictable nature of Defense programs can be traced to instabilities in the broader acquisition system. Fundamentally reshaping that system should make the state of the Department's major acquisition programs more predictable and result in better stewardship of the U.S. tax dollar. There are several ongoing reviews of defense acquisition improvements being conducted both within and outside the Department in an effort to address these issues. Their results will inform the Department's efforts to reshape defense acquisition into a truly 21st century process that is responsive to the joint warfighter.

The Department of Defense is focusing on bringing the needed capabilities to the joint force more rapidly, by fashioning a much more effective acquisition system and associated set of processes. The Department is considering adopting a risk-based source selection process in place of the current cost-based approach. Source selection decisions would not use cost as the sole criteria but rather would be based on technical and management risk. Effectively balancing cost, technical risk and management realities would require closer integration of the Department's joint capabilities identification, resource allocation and acquisition processes, with clear responsibilities defined for each.

In an effort to ensure needed capabilities are fielded rapidly, acquisition development and

procurement programs will shift to a time-certain approach. Early in program development, senior leaders will make the key trade-offs necessary to balance performance, time and available resources. Upgrades and improvements can be added in subsequent spirals based on the maturity of the technology. Combining time-certain development and procurement of capability with a risk-based approach to source selection should provide much greater stability in the acquisition system. Stability should allow for more predictable acquisition programs measured by cost, schedule and performance.

Managing Supply Chain Logistics

In response to the 2001 QDR, the Department undertook a number of initiatives to improve the effectiveness and efficiency with which the Department moves and sustains military forces. These initiatives included efforts to improve the deployment process and reduce the logistics footprint and its associated costs. The



Photo by Specialist Preston Checks, U.S. Army.

A C-130 drops supplies during an operation intended to prevent reemergence of terrorist activities in Afghanistan. U.S. and partner forces remain vigilant in combating any new terrorist extremist forces.



Department also worked to provide standing joint force headquarters with an integrated logistics picture and accelerated the creation and use of logistics decision-support tools. In the past four years, the Department has markedly increased the integration of field exercises and experimentation with the processes for determining logistics systems, doctrine and force structure requirements. In addition, as noted earlier, the Department is changing its logistics processes and procedures as dictated by the needs of current operations.

As a result of these initiatives, the Department has made significant strides in migrating to a capabilities-based logistics approach. In this QDR, the Department focused on improving visibility into supply chain logistics costs and performance and on building a foundation for continuous improvements in performance. The strategy for achieving these objectives starts by linking resources to supply chain logistics activities in order to understand the costs they entail. The Department must also assess commercial supply chain metrics as potential performance targets to bring down the costs and to speed the delivery of needed items. Promising ongoing initiatives, such as the single deployment process owner, must be continually improved and accelerated. Lastly, there is a need to develop realistic and defensible strategic performance targets for focused logistics capabilities to guide both capital investment and process improvement.

The Department is implementing a number of specific initiatives aimed at meeting supply chain objectives. For example, the use of active and

passive Radio Frequency Identification (RFID) technologies will play a key role in achieving the Department's vision for implementing knowledge-enabled logistics support to the warfighter through automated asset visibility and management. RFID is designed to enable the sharing, integration and synchronizing of data from the strategic to the tactical level, informing every node in the supply chain network. This information should provide greater insight into the cause-and-effect relationship between resources and readiness. Such fact-based insights, coupled with the implementation of continuous process improvement tools like Lean, Six Sigma and Performance Based Logistics, will help optimize the productive output of the overall Department of Defense supply chain.

Transforming the Medical Health System (MHS)

New breakthroughs in science and health, and new innovations in prevention and wellness, offer the opportunity to develop a 21st century Military Health System that will improve health and save both lives and money. This transformation in health and healthcare parallels other transformations in the Department of Defense. It is the Department's goal to have a lifetime relationship with the entire Department of Defense family which maximizes prevention, wellness and personal choices and responsibility. As with other areas related to the Department enterprise, the QDR recommends aligning medical support with emerging joint force employment concepts. Building on recent improvements in new purchased care contracts and the streamlining of regional TRICARE



management structures, the QDR recommends continuing to shift toward a market-driven, performance-based investment program. It also recommends improving planning processes and the transparency of information, while leveraging the recent launch of the Department's electronic health record system. This new system is needed to effectively manage MHS by adopting a more flexible financing process. Above all, the Department's military and civilian senior leaders endorse the need to modernize the TRICARE benefit structure for those customers who are not on Active Duty. The intent is to promote longer and healthier retirement lives by encouraging self-responsibility for their own and their family's health and the use of health resources to achieve the longest, healthiest lives at the lowest cost. Doing so will require changes in legislation and rules to adjust TRICARE cost-sharing features so that they restore the balance Congress created in establishing the TRICARE program in the 1990's and also to seek authority for Health Savings Accounts.

Summary

Without a doubt, reshaping the defense enterprise is difficult. The structures and processes developed over the past half-century were forged in the Cold War and strengthened by success in it. However, the strategic landscape of the 21st century demands excellence across a much broader set of national security challenges. With change comes turmoil, and achieving a desired vision requires determination and perseverance within the Department and, importantly, cooperation with the Congress. As

we emphasize agility, flexibility, responsiveness and effectiveness in the operational forces, so too must the Department's organizations, processes and practices embody these characteristics if they are to support the joint warfighter and our Commander in Chief.





DEVELOPING A 21st CENTURY TOTAL FORCE

The Department of Defense is the world's largest employer, directly employing more than three million people. The Department's Total Force—its active and reserve military components, its civil servants, and its contractors—constitutes its warfighting capability and capacity. Members of the Total Force serve in thousands of locations around the world, performing a vast array of duties to accomplish critical missions.

No prudent military commander wants a fair fight, seeking instead to “overmatch” adversaries in cunning, capability and commitment. The selfless service and heroism of the men and women of the well-trained all-volunteer Total Force has been a primary source of U.S. strategic overmatch in confronting the wide range of threats we face and a key to successful military operations over the past several decades. The Total Force must continue to adapt to different operating environments, develop new skills and rebalance its capabilities and people if it is to

remain prepared for the new challenges of an uncertain future.

Recent operational experiences highlight capabilities and capacities that the Department must instill in the Total Force to prevail in a long, irregular war while deterring a broad array of challenges. The future force must be more finely tailored, more accessible to the joint commander and better configured to operate with other agencies and international partners in complex operations. It must have far greater endurance. It must be trained, ready to operate and able to make decisions in traditionally non-military areas, such as disaster response and stabilization. Increasing the adaptability of the Total Force while also reducing stress on military personnel and their families is a top priority for the Department. These imperatives require a new strategy for shaping the Department's Total Force, one that will adjust policies and authorities while introducing education and training initiatives to equip civilian and military warfighters to overmatch any future opponent.

The Department and Military Services must carefully distribute skills among the four elements of the Total Force (Active Component, Reserve Component, civilians and contractors) to optimize their contributions across the range of military operations, from peace to war. In a reconfigured Total Force, a new balance of skills must be coupled with greater accessibility to people so that the right forces are available at the right time. Both uniformed and civilian personnel must be readily available to joint commanders.

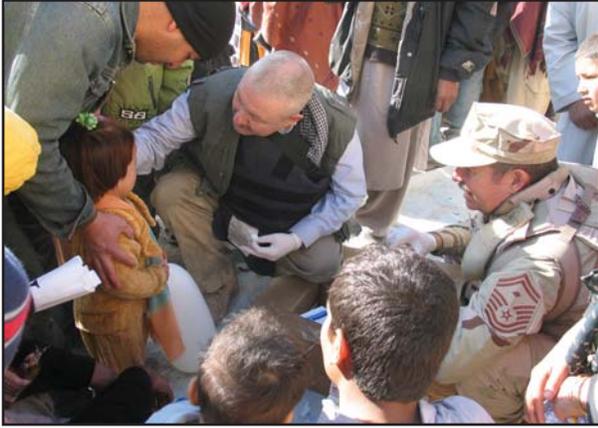
Photo by Photographer's Mate 3rd Class
Rebecca J. Moat, U.S. Navy.



An officer assigned to Navy hospital ship USNS Mercy explains her rank insignia to Indonesian military and civilian nurses after instructing them in cardiopulmonary resuscitation (CPR). USNS Mercy operated off the coast of Sumatra, Indonesia, providing assistance to international relief organizations; it hosted medical teams operating ashore in areas affected by the Indian Ocean tsunami.



Photo by Captain Dave Huxsoll, U.S. Air Force.



A Department of Defense contractor (left) and U.S. Air Force personnel (right) provide first aid to an Afghan girl at the Bagrami Village refugee camp in Kabul, Afghanistan. Providing essential aid is a critical part of the reconstruction effort and employs all elements of the Total Force.

This operational Total Force must remain prepared for complex operations at home or abroad, including working with other U.S. agencies, allies, partners and non-governmental organizations. Routine integration with foreign and domestic counterparts requires new forms of advanced joint training and education.

Finally, the Department must effectively compete with the civilian sector for high-quality personnel. The transformation of the Total Force will require updated, appropriate authorities and tools from Congress to shape it and improve its sustainability. Two key enablers of this transformation will be a new *Human Capital Strategy* for the Department, and the application of the new National Security Personnel System to manage the Department's civilian personnel.

Reconfiguring the Total Force

Recent operational experiences in Iraq and Afghanistan highlight the need to rebalance military skills between and within the Active

and Reserve Components. Accordingly, over the past several years, the Military Departments are rebalancing – shifting, transferring or eliminating – approximately 70,000 positions within or between the Active and Reserve Components. The Department plans to rebalance an additional 55,000 military personnel by 2010. The Military Departments are applying this same scrutiny across the Total Force to ensure that the right skills reside inside each element. The Military Departments and Combatant Commanders will continually assess the force to ensure it remains responsive to meet future demands. U.S. Joint Forces Command (U.S. JFCOM), as the joint force provider, is aiding the effort by ensuring the appropriate global distribution of ready forces and competencies. The Department plans to introduce a new methodology and review process to establish a baseline for personnel policy, including the development of joint metrics and a common lexicon to link the Defense Strategy to Service-level rebalancing decisions. This process will help synchronize rebalancing efforts across the Department.

A Continuum of Service

The traditional, visible distinction between war and peace is less clear at the start of the 21st century. In a long war, the United States expects to face large and small contingencies at unpredictable intervals. To fight the long war and conduct other future contingency operations, joint force commanders need to have more immediate access to the Total Force. In particular, the Reserve Component must be operationalized, so that select Reservists and units are more accessible and more readily deployable than today. During



the Cold War, the Reserve Component was used, appropriately, as a “strategic reserve,” to provide support to Active Component forces during major combat operations. In today’s global context, this concept is less relevant. As a result, the Department will:

- Pursue authorities for increased access to the Reserve Component: to increase the period authorized for Presidential Reserve Call-up from 270 to 365 days.
- Better focus the use of the Reserve Components’ competencies for homeland defense and civil support operations, and seek changes to authorities to improve access to Guard and reserve consequence management capabilities and capacity in support of civil authorities.
- Achieve revision of Presidential Reserve Call-Up authorities to allow activation of Military Department Reserve Components for natural disasters in order to smooth the process for meeting specific needs without relying solely on volunteers.
- Allow individuals who volunteer for activation on short notice to serve for long periods on major headquarters staffs as individual augmentees.
- Develop select reserve units that train more intensively and require shorter notice for deployment.

Additionally, the Military Departments will explore the creation of all-volunteer reserve units with high-demand capabilities, and the Military

Departments and Combatant Commanders will expand the concept of contracted volunteers.

Building the Right Skills

Maintaining the capabilities required to conduct effective multi-dimensional joint operations is fundamental to the U.S. military’s ability to overmatch adversaries. Both battlefield integration with interagency partners and combined operations – the integration of the joint force and coalition forces – will be standard features in future operations. The combination of joint, combined and interagency capabilities in modern warfare represents the next step in the evolution of joint warfighting and places new demands on the Department’s training and education processes.

Joint Training

The QDR assessed and compared the joint training capabilities of each of the Military Departments. Although the Military Departments have established operationally proven processes and standards, it is clear that further advances in joint training and education are urgently needed to prepare for complex, multinational and interagency operations in the future. Toward this end, the Department will:

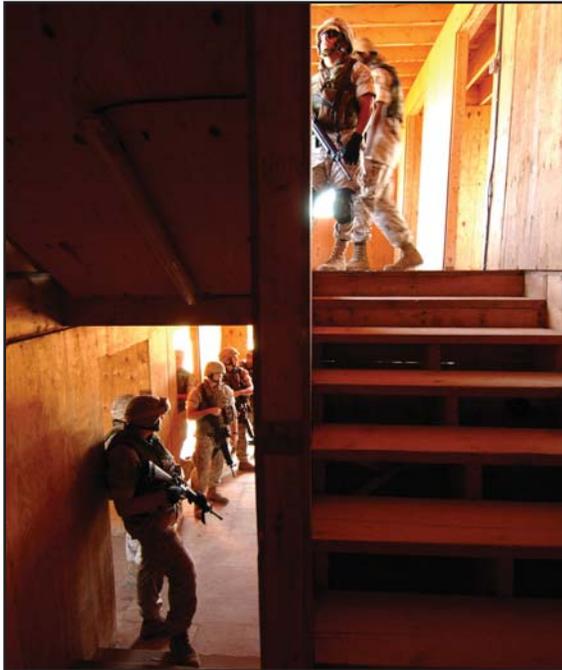
- Develop a Joint Training Strategy to address new mission areas, gaps and continuous training transformation.
- Revise its Training Transformation Plan to incorporate irregular warfare, complex stabilization operations, combating WMD and



information operations.

- Expand the Training Transformation Business Model to consolidate joint training, prioritize new and emerging missions and exploit virtual and constructive technologies.

Photo by Staff Sergeant Stacy L. Peasall, U.S. Air Force.



U.S. Marines conduct urban training. The number of U.S. training facilities for urban operations and the depth of instruction have increased significantly since 2002.

Language and Cultural Skills

Developing broader linguistic capability and cultural understanding is also critical to prevail in the long war and to meet 21st century challenges. The Department must dramatically increase the number of personnel proficient in key languages such as Arabic, Farsi and Chinese and make these languages available at all levels of action and decision – from the strategic to the tactical. The Department must foster a level of understanding and cultural intelligence about the Middle East and Asia comparable to that developed about the Soviet Union during the Cold War. Current

and emerging challenges highlight the increasing importance of Foreign Area Officers, who provide Combatant Commanders with political-military analysis, critical language skills and cultural adeptness. The Military Departments will increase the number of commissioned and non-commissioned officers seconded to foreign military services, in part by expanding their Foreign Area Officer programs. This action will foster professional relationships with foreign militaries, develop in-depth regional expertise, and increase unity of effort among the United States, its allies and partners. Foreign Area Officers will also be aligned with lower echelons of command to apply their knowledge at the tactical level.

To further these language and culture goals, the Department will:

- Increase funding for the Army’s pilot linguist program to recruit and train native and heritage speakers to serve as translators in the Active and Reserve Components.



DoD Photo.

This heritage speaker receives the Purple Heart medal after being wounded in Iraq. His commander stated that he was essential to all his missions. He joined the U.S. Army at 17 years of age and deployed one month after turning 18. His younger brother (age 17) also plans on enlisting to become a heritage speaker.



- Require language training for Service Academy and Reserve Officer Training Corps scholarship students and expand immersion programs, semester abroad study opportunities and inter-academy foreign exchanges.
- Increase military special pay for foreign language proficiency.
- Increase National Security Education Program (NSEP) grants to American elementary, secondary and post-secondary education programs to expand non-European language instruction.
- Establish a Civilian Linguist Reserve Corps, composed of approximately 1,000 people, as an on-call cadre of high-proficiency, civilian language professionals to support the Department's evolving operational needs.
- Modify tactical and operational plans to improve language and regional training prior to deployments and develop country and language familiarization packages and operationally-focused language instruction modules for deploying forces.

Training and Educating Personnel to Strengthen Interagency Operations

The ability to integrate the Total Force with personnel from other Federal Agencies will be important to reach many U.S. objectives. Accordingly, the Department supports the creation of a National Security Officer (NSO) corps – an interagency cadre of senior military and civilian professionals able to effectively integrate and orchestrate the contributions of individual government agencies on behalf of larger national security interests.

Much as the Goldwater-Nichols requirement that senior officers complete a joint duty assignment has contributed to integrating the different cultures of the Military Departments into a more effective joint force, the QDR recommends creating incentives for senior Department and non-Department personnel to develop skills suited to the integrated interagency environment.

The Department will also transform the National Defense University, the Department's premier educational institution, into a true National Security University. Acknowledging the complexity of the 21st century security environment, this new institution will be tailored to support the educational needs of the broader U.S. national security profession. Participation from interagency partners will be increased and the curriculum will be reshaped in ways that are consistent with a unified U.S. Government approach to national security missions, and greater interagency participation will be encouraged.



Photo by Masrer Sergeant James M. Bowman, U.S. Air Force.

A U.S. Army Captain from the 17th Field Artillery Brigade reviews the Arabic language with local Iraqi boys at the Al-Dawaya School. The Brigade restored the Al-Dawaya School during Operation Iraqi Freedom.



Designing an Information Age Human Capital Strategy

To compete effectively with the civilian sector for highly-qualified personnel to build the Total Force, the Department must possess both a modern *Human Capital Strategy* and the authorities required to recruit, shape and sustain the force it needs.

The new *Human Capital Strategy* focuses on developing the right mix of people and skills across the Total Force. The Department's *Human Capital Strategy* may be considered "competency-focused" and "performance-based." It is based on an in-depth study of the competencies U.S. forces require and the performance standards to which they must be developed. Each of the Military Departments will map the array of competencies and performance criteria that constitute its forces and also evaluate and improve personnel development processes to achieve those standards. Advancements, awards and compensation may then be linked to an individual's performance rather than to longevity or time-in-grade. This will better align incentives to outputs and reward excellence.

To execute the *Human Capital Strategy*, the Department will establish a single Program Executive Office responsible for the consolidated Personnel Reporting/Management System and management of the Strategy as a major defense program. Once implemented, the *Human Capital Strategy* will be integrated into a consolidated personnel tracking and management system capable of linking all Department competencies

to manpower, training and education.

The Department also needs to ensure suitable promotion and development opportunities are available to attract and retain the best and brightest military and civilian personnel. The Department's career advancement philosophy should foster innovation by encouraging career patterns that develop the unique skills needed to meet new missions such as irregular warfare. New career patterns might include seconding young officers, non-commissioned officers and civil servants to work within allied and partners' militaries or ministries of defense or to serve on long-term assignments in key strategic regions of the world rather than assuming the traditional career path of multiple, short-term assignments. The Department will provide further incentives and improve advancement opportunities in key career fields, including Foreign Area Officers, trainers, advisors and linguists, as well as in other mission areas that are taking on greater importance, such as unmanned aerial vehicles and information and space operations. In addition to providing incentives for strong performance and continued service, the *Human Capital Strategy's* shaping tools must also enable discrete, necessary force reductions as well as selective accessions when a specific skill is called for and not available within the joint force.

National Security Personnel System

The Department's civilians are unique in the U.S. Government because they are an integral part of a military organization. Consequently, like the military workforce, the Department's civilians must adapt to changing mission needs. The new



National Security Personnel System (NSPS) is designed to facilitate the effective management of the Department's 650,000 civilian personnel in the 21st century. The NSPS addresses three major personnel issues the Department faces: staffing the enterprise to support 21st century missions; using compensation to compete more effectively in the broader labor market; and providing civilian support to contingency operations. The NSPS will incorporate a labor relations system that recognizes the Department's national security mission and the need to act swiftly to execute that mission while preserving the collective bargaining rights of employees. The Department will begin its transition to the new system by training personnel to implement the new procedures. The NSPS also recognizes the importance of defense civilians and the support they provide for contingency operations. It enables civilians to perform inherently governmental functions, freeing military personnel to perform inherently military functions.

Similarly, implementing the new Department of Defense Instruction *Contractor Personnel Authorized to Accompany U.S. Armed Forces* is another step toward integrating contractors into the Total Force. The Department's policy now directs that performance of commercial activities by contractors, including contingency contractors and any proposed contractor logistics support arrangements, shall be included in operational plans and orders. By factoring contractors into their planning, Combatant Commanders can better determine their mission needs.

Taken together, measures to reconfigure the Total

Force, provide a continuum of service, build the right skills and design an information-age human capital strategy will yield a Total Force that is better able to meet the diverse challenges the United States will face in coming years.

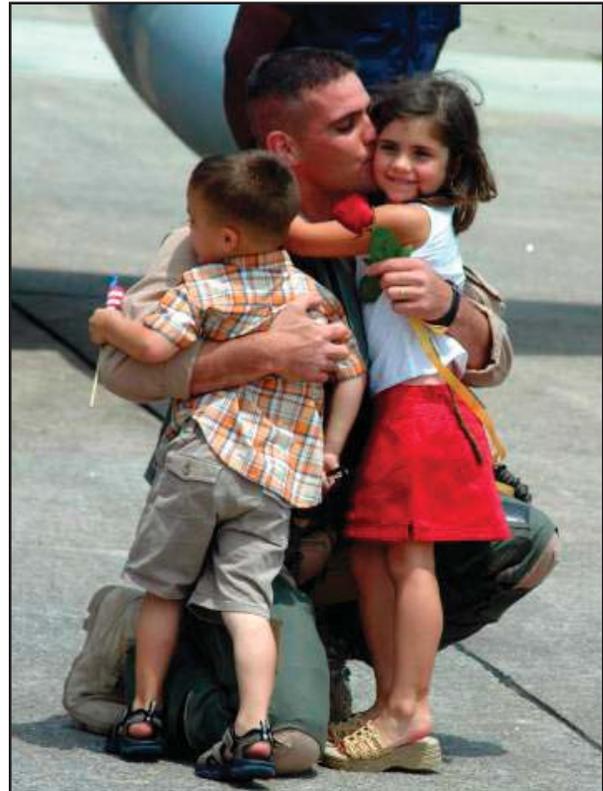


Photo by Lance Corporal Leslie J. Hewitt, U.S. Marine Corps.

Homecoming for pilots from Marine All Weather Fighter Attack Squadron 533 after participating in Operation Iraqi Freedom.



