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June 23, 2017

The Honorable John McCain
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services

United States Senate
The Honorable Mac Thornberry
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

Defense Management: DOD Has Taken Initial Steps to Formulate an Organizational Strategy, but These Efforts Are Not Complete

The Department of Defense (DOD) has faced organizational and management challenges that can limit effective and efficient coordination across the department to fulfill its mission. For example, in the early 1980s, there were concerns that DOD’s structure primarily served the needs of the services and encouraged interservice rivalries that led to operational failures. In response, Congress passed the Goldwater-Nichols Department of Defense Reorganization Act of 1986 to improve the management and administration of the department, among other purposes.¹ Some of the changes emanating from this act included specifying the military department secretaries’ responsibility for training and equipping forces, while making clear that the military service chiefs were not in the chain of command for military operations, and requiring military personnel selected for promotion to brigadier general or rear admiral (lower half) to have joint duty experience unless waived by the Secretary of Defense or an authorized official. While DOD has improved coordination across the combatant commands and Joint Chiefs of Staff, the department continues to face similar organizational and management challenges among the military departments and within the Office of the Secretary of Defense. In particular, DOD’s military departments and functional organizations have not always worked well together to accomplish departmental objectives.² We have highlighted these challenges in numerous products, including our High-Risk List that calls attention to agencies and program areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of transformation.³

¹Pub. L. No. 99-433, (1986).

²DOD’s functional organizations include financial management, acquisition, defense security enterprise, installations and environment, logistics and materiel readiness, security cooperation, enterprise information technology infrastructure, and human resources management.

³GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

To address these challenges, section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017 directed the Secretary of Defense to, among other things, formulate an organizational strategy for DOD that identifies the critical objectives and other outputs which span multiple functional boundaries and would benefit from the use of cross-functional teams to ensure collaboration and integration across the department.⁴ According to academic literature and subject-matter experts with whom we spoke, cross-functional teams are an approach that is thought to deliver better and faster solutions to complex and fast-moving problems by relying on individuals with different types of expertise to work toward a common, well-defined goal. Further, according to academic literature and subject-matter experts with whom we spoke, effective cross-functional teams are to have access to the resources needed to achieve their goal and the individuals who comprise the team are to be held accountable to the team itself, as opposed to their home unit within the organization. Effective cross-functional teams also have senior leadership support, a well-defined mission, and clear lines of authority.

Section 911 of the NDAA for Fiscal Year 2017 also included a provision for us, not later than 6 months after the date of enactment, December 23, 2016, and every 6 months thereafter through December 31, 2019, to submit to the defense committees a report setting forth a comprehensive assessment of the actions that DOD has taken pursuant to section 911 during each 6-month period, and cumulatively since the NDAA's enactment. In this report, we describe the extent to which DOD has implemented section 911 of the NDAA for Fiscal Year 2017 during the first 6-month reporting period, December 23, 2016, through June 23, 2017. Among other things, the act required DOD to:

- provide training to individuals, who have been appointed by the President and confirmed by the Senate to a position within the Office of the Secretary of Defense, on leadership, modern organizational practice, collaboration, and the operation of cross-functional teams within 3 months of appointment;
- award a contract to study how to best implement cross-functional teams in DOD; and
- formulate and issue an organizational strategy by September 1, 2017.

Enclosure lists the requirements for DOD in section 911 of the NDAA for Fiscal Year 2017 along with the corresponding due date.

To determine the extent to which DOD has implemented the requirements of section 911 of the NDAA for Fiscal Year 2017 for this reporting period, we reviewed DOD's planning documents to implement the requirements. In addition, we interviewed officials from the Office of the Deputy Chief Management Officer about the actions taken and planned to address the requirements in section 911 of the NDAA for Fiscal Year 2017. We also interviewed several subject matter experts we selected based on recommendations by DOD officials and their knowledge of and expertise on the use of cross-functional teams within and outside of DOD.

We conducted this performance audit from January 2017 to June 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴Pub. L. No. 114-328, § 911 (2016).

DOD Has Begun Exploring Options for Cross-Functional Team Training and a Leading Practices Study

DOD has taken steps in three areas to begin implementing the requirements of section 911 of the NDAA for Fiscal Year 2017, but these efforts are not complete. First, DOD has begun exploring options for providing training to those individuals nominated by the President to positions within the Office of the Secretary of Defense and confirmed by the Senate on leadership, modern organizational practice, collaboration, and the operation of cross-functional teams.⁵ According to DOD officials, DOD is planning to use existing training as well as develop additional training—in conjunction with subject matter experts—to meet this requirement. Section 911 requires senior officials within the Office of the Secretary of Defense to be trained within 3 months of their appointments; however, DOD officials stated that they wanted the training to align with and be informed by the organizational strategy that will be developed by September 1, 2017. As of June 2017, DOD is in the process of developing a draft curriculum, but does not plan to begin conducting the required training until after September 1, 2017. Section 911 authorizes the President to waive this training requirement if the Secretary of Defense determines in writing that the individual otherwise possesses, through training and experience, the skills and knowledge to be provided by the training.

Second, DOD awarded the contract for a study on leading practices of cross-functional teams, after the required date of March 15, 2017. According to DOD officials, budgetary constraints resulting from the delay in enacting a defense appropriations bill for fiscal year 2017 hampered the department's ability to award this contract by the required date as there were not sufficient funds available to be obligated for the full estimated contract price without negatively impacting existing contractual commitments that rely on the same funding sources. On March 17, 2017, DOD issued a request for information seeking an independent, top-tier consulting firm with global reach and widely acknowledged expertise in modern organizational management and cross-functional teams to conduct the required study. DOD subsequently received responses from eight firms. In May 2017, DOD sent out a request for quote to the eight interested firms and received responses from three of them. On June 9, 2017, DOD awarded the contract; however, officials told us they will be unable to deliver the results from the required study to Congress by July 15, 2017, as required, and instead, intends to deliver the results of the study to Congress in August 2017.⁶

Third, DOD officials stated that the department is taking initial steps to develop the organizational strategy as required in section 911 of the NDAA for Fiscal Year 2017. Specifically, the department is in the process of identifying areas that could benefit from the use of cross-functional teams. Additionally, DOD has begun a literature review and prepared some preliminary documents to help determine the content and structure of the strategy. Furthermore, DOD officials stated they have begun to conduct case studies on cross-functional teams within DOD that they will use to inform the development of the organizational strategy. DOD officials stated that they plan to align DOD's organizational strategy with the National Defense Strategy and DOD's Agency Strategic Plan that are currently under development.⁷ DOD officials further

⁵As of June 20, 2017, the Secretary of Defense; the Under Secretary of Defense, Comptroller; the Principal Deputy Under Secretary of Defense for Intelligence; the Assistant Secretary of Defense for Homeland Defense and Global Security; and the Assistant Secretary of Defense for International Security Affairs are the only senior officials within the Office of the Secretary of Defense who have been appointed and confirmed.

⁶We did not review this contract for this report.

⁷The National Defense Strategy is used to establish objectives for the plans for military force structure and required resources. DOD's Agency Strategic Plan contains, among other things, a comprehensive mission statement covering

stated that they expect DOD's organizational strategy to be completed by September 1, 2017, as required, and that the organizational strategy will also address the proposed plan outlined in Executive Order 13781 to improve the efficiency, effectiveness, and accountability of the executive branch.⁸

We are not making any recommendations at this time.

Agency Comments

We provided a draft of this report to DOD for review and comment. DOD concurred with our report. In addition, DOD provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and DOD's Deputy Chief Management Officer. In addition, the report is available at no charge on our website at <http://www.gao.gov>.

If you or your staff have questions concerning this report, please contact me at (213) 830-1011 or vonaha@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Tina Won Sherman, Assistant Director; Tracy Barnes; Leslie Bharadwaja; Arkelga Braxton; Adelle Dantzler; Leia Dickerson; David Dornisch; Jessica Du; Michael Holland; Judy McCloskey; Sheila Miller; Richard Powelson, Terry Richardson; Ron Schwenn; Pam Snedden; and Sarah Veale.



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Enclosure

the major functions and operations of DOD, as well as general goals and objectives, including outcome-oriented goals, for the major functions and operations of DOD.

⁸Executive Order 13781, *Comprehensive Plan for Reorganizing the Executive Branch*, (March 13, 2017).

Enclosure: Summary of Requirements in Section 911 of the National Defense Authorization Act for Fiscal Year 2017

The National Defense Authorization Act for Fiscal Year 2017 requires the Secretary of Defense to take several actions. Table 1 below summarizes these requirements.

Table 1: Summary of Requirements in Section 911 of the National Defense Authorization Act for Fiscal Year 2017

Not later than	The Secretary is to
Three months of the appointment of an individual to a position in the Office of the Secretary of Defense appointable by and with the advice and consent of the Senate	Send the individual to a training course in leadership, modern organizational practice, collaboration, and the operation of cross-functional teams. This training requirement can be waived under certain circumstances.
March 15, 2017	Award any necessary contract for a study to determine how to best implement effective cross-functional teams in DOD. This study should include (1) lessons learned, as reflected in academic literature, business and management school case studies, and the work of leading management consultant firms, on the successful and failed application of cross-functional teams in the private sector and government, and on the cultural factors necessary to support effective cross-functional teams and (2) the historical and current use by DOD of cross-functional working groups, integrated process teams, councils, and committees, and the reasons why such entities have or have not achieved high levels of teamwork or effectiveness.
July 15, 2017	Provide the results of the study to the congressional defense committees.
September 1, 2017	Develop and issue an organizational strategy that (1) identifies the critical objectives and other organizational outputs for DOD that span multiple functional boundaries and would benefit from the use of cross-functional teams; (2) improves the manner in which DOD integrates the expertise and capacities of the functional components of DOD for effective and efficient achievement of such objectives and outputs; improves the management of relationships and processes involving the Office of the Secretary of Defense, the Joint Staff, the combatant commands, the military departments, and the defense agencies with regard to such objectives and outputs; (3) improves the ability of DOD to work effectively in interagency processes with regard to such objectives and outputs in order to better serve the President; and (4) achieves an organizational structure that enhances performance with regard to such objectives and outputs.
September 30, 2017	Establish cross-functional teams to address critical objectives and outputs for such teams as determined to be appropriate in accordance with the organizational strategy.
	Issue guidance on cross-functional teams (1) addressing the role, authorities, reporting relationships, resourcing, manning, training, and operations of cross-functional

Not later than	The Secretary is to
	teams; (2) delineating decision-making authority of such teams; (3) providing that the leaders of functional components of DOD that provide personnel to such teams respect and respond to team needs and activities; and (4) emphasizing that personnel selected for assignment to such teams shall faithfully represent the views and expertise of their functional components while contributing to the best of their ability to the success of the team concerned.
18 months after the date of the enactment of this act (i.e., June 23, 2018)	Submit to Congress a report on the establishment of cross-functional teams, including descriptions from the leaders of teams on the manner in which the teams were designed and how they functioned.
	Take actions, as the Secretary considers appropriate, to streamline the organizational structure and processes of the Office of the Secretary of Defense in order to increase spans of control, achieve a reduction in layers of management, eliminate unnecessary duplication between the Office of the Secretary of Defense and the Joint Staff, and reduce the time required to complete standard processes and activities.
18 months after the date on which the first cross-functional team is established	Complete an analysis of the successes and failures of teams established, and determine how to apply the lessons learned from that analysis.

Source: GAO analysis of Section 911 of the National Defense Authorization Act for Fiscal Year 2017. | GAO-17-523R

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