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MANAGEMENT OF THE DOD PLANNING PROGRAMMING AND  
BUDGETING SYSTEM(U) OFFICE OF THE DEPUTY SECRETARY OF  
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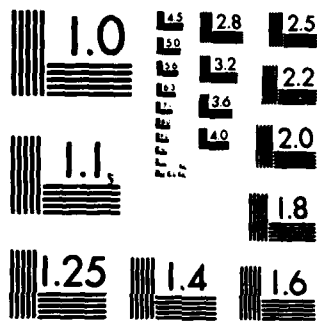
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THE DEPUTY SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

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March 27, 1981

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL  
ASSISTANTS TO THE SECRETARY OF DEFENSE

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SUBJECT: Management of the DOD Planning, Programming and  
Budgeting System

On 13 February 1981, I directed a 30-day assessment of the DOD PPBS. The report was delivered to me on 13 March 1981. I have discussed it with the Steering Group, the Joint Chiefs of Staff, the Service Secretaries, the Under Secretaries and selected Assistant Secretaries. Your interest, frankness and professionalism during these discussions have convinced me that we have a unique opportunity to improve significantly the way we do our planning and manage our resources.

Based on the report and those conversations, the Secretary and I have decided on the following approach.

DoD Management Philosophy

The Defense management system will focus on the major missions that the Department of Defense must address to satisfy national objectives:

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- It will define the national military strategy necessary to support our foreign policy and provide security for our people.
- It will help us achieve the integrated and balanced military forces determined by the Secretary to be necessary to accomplish that strategy.
- It will help assure that we are significantly ready in all aspects to deter aggression and to succeed where armed intervention is necessary.
- It will provide the framework necessary to manage the Defense resources effectively and to insure successful mission accomplishment consistent with national resource limitations.

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-- It will provide information to the Secretary to help him insure that the role of military power is properly considered in the formulation of national objectives.

### Decentralization and Accountability

We will achieve better Defense management by working toward a system of centralized control of executive policy direction and more decentralized policy execution. Working with the Service Secretaries, the Chairman of the Joint Chiefs of Staff, and OSD staff, the Secretary and I will concentrate on major policy decisions, definition of planning goals and the allocation of resources necessary to strengthen the horizontal integration of our four Services into a balanced Armed Forces Team to meet our national military strategy. To support these policies and plans, we will hold each of the Service Secretaries responsible for the development and execution of the necessary programs and the day-to-day management of the resources under their control. Through this controlled decentralization, subordinate line executives will be held accountable for the execution of our approved programs and policy decisions. This will focus Service management efforts on improving the operational efficiency of each department.

This general principle, however, has two major corollaries. First, we must assure that accountability is specifically fixed, and that an improved process is available for DOD-wide performance evaluation and monitoring. Those who have the responsibility will be held fully accountable for results. I expect strong leadership and initiative by the civilian and military executives at all levels of the Department of Defense. They must manage well and assure that both the Secretary and I are kept informed on a continuous basis of major problems and issues before they surface in forums outside DOD.

Secondly, this concept must contain appropriate procedures and levers to assure that Department-wide, cross-Service and cross-command programs are planned, managed and evaluated. There must be sufficient flexibility to assure that Presidential and Secretary of Defense goals and priorities are recognized, met and maintained by the Services and line organizations. Examples include our nuclear forces, C<sup>3</sup>I, DOD-wide manpower policies, mobility forces and others that cut across individual Service lines.

My staff managers in the Office of the Secretary of Defense will be responsible for providing the technical cross-Service mission analysis and evaluations necessary to insure that our actions effectively integrate the capabilities of the Services. In addition, through their review of program execution within the departments, OSD staff will provide to the Secretary and me independent assessments of the success of our overall Defense efforts.



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## Participative Management

A second major management principle that both the Secretary and I espouse and expect to utilize fully is that all those that have a legitimate interest in the outcome of a management decision should participate in the decision. There are many different internal points of view on major issues and legitimately so. We want to assure that these positions are fully articulated at the appropriate level. We also encourage dissent. We must all have the courage of our convictions and express them prior to the time of decision. Once the Secretary and I have made the policy decisions, however, we insist on full support in the implementation of those decisions.

This participative principle pertains not only to the OSD-Service relationship and internally within both OSD and the Services, but cross-Service as well. On the latter point, I would like more cross-Service dialogue to take place on major program development and implementation issues regardless of whether OSD staff initiates the process. The Joint Chiefs of Staff, as well as the CINCs, could initiate such dialogue. Alternatively, the Services, with their enhanced authority and responsibility, could acknowledge and move forward on DoD-wide opportunities that cut across Service lines.

## Economies and Efficiencies

We all, as part of our management responsibility, have to assure that the large amount of funds being proposed for Defense are used wisely, effectively and efficiently. We must be more aggressive and imaginative in saving money by eliminating major overlaps or duplications and assigning priorities to all programs. I look to each of you to use your enhanced authority to bring about major savings and improved methods of operation. During the programming and budgeting process, we must be straightforward with each other in looking for economies and efficiencies if our new management system is to work. I expect to enforce the necessary discipline during the entire process. Game playing will not be tolerated. We should all remember that if we do not produce some real savings and lower costs in many programs, others will do it for us.

## Specific Decisions

In order to assure we follow the management principles and meet the policy objectives I have stated above, I am directing that the following actions take place, effective today.

## Improved Planning

I agree with the consensus that we must both improve strategic planning in the early planning phase of the PPBS cycle and strengthen long-range planning throughout the other phases of

the PPBS. This calls for a more disciplined planning process that will provide the framework, the goals and objectives, the appropriate military strategies, and the risks associated with the optimum allocation of available resources. They, in turn, should be based on military requirements that flow from a realistic assessment of near-term and long-term threats. The major issues that will arise in the programming phase and the major budgetary decisions that follow will be measured against these planning goals and threats, not only against available budgetary resources as in the past.

This improved planning process should address the larger strategic issues and problems facing the country. Resource constraints are an important part of this strategic planning activity. But we should not allow the strategic planning process to be too narrowly constrained by fiscal and program guidance. We need the correct balance to assure realistic, serious, and pragmatic strategic planning.

Therefore, to achieve this new planning policy, I direct that USD(Policy), with strong input from JCS and R&E Resource Planning, take the lead in designing this new and improved planning approach with inputs as necessary from other OSD staffs, the Services and the CINCs. I would like a detailed plan of action on how we should proceed within 30 days.

#### Improved Programming

In accordance with this controlled decentralization principle, the Services will have enhanced responsibility for developing, defending, and carrying out their programs. OSD staffs, as I have discussed above, will concentrate more on major DoD policy, planning and program issues, primarily those that cut across Service lines and programs and those that are of priority Presidential and Secretary of Defense interest. OSD will, with help from the Services, design and plan for additional standardization, joint programs and joint systems, to improve efficiency and reduce costs. I hope and expect the Services to join in this effort.

The OSD function becomes at the same time more difficult and more critical. OSD must help the Secretary and me manage the organization as a whole and help us identify major problems and issues in the total system in time to act.

During this immediate FY 83-87 programming phase and thereafter, all participants should be guided by the management principles enunciated above and be responsible for the following assignments:

	<u>Lead Offices</u>	<u>In Coordination With</u>
1. Overall Policy, Strategy, Force Planning, and Planning Guidance	USD/P	JCS, Services, CINCs, OSD (NSC)

	<u>Lead Offices</u>	<u>In Coordination With</u>
2. Resource Objectives, Planning and Guidance	R&E, MRA&L	OSD and Services, as appropriate; Comptroller
3. Fiscal Guidance	COMP, PA&E	OMB, White House, USD/P
4. Program Development	Services	
5. Program Unification and Standardization	R&E	OSD
6. Program Review and Evaluation		
- Consistency with policy	Nuclear: ISP Conv: ISA	PA&E, R&E, COMP PA&E, R&E, COMP
- Cost-effective force trade-offs, cross-Service balance and mutual support	PA&E	USD/P, MRA&L, R&E, COMP
- Cross-program, modernization, R&D	R&E	C3I, Policy Review, COMP, other OSD as appropriate
- Readiness, sustainability, other logistics	MRA&L	USD/P, PA&E, R&E, COMP
- Manpower program feasibility and efficiency	MRA&L	USD/P, PA&E, COMP
7. Budget Review; Cost Savings and Added Efficiencies	COMP	All of OSD, Services

As a first task, I would like each OSD lead office to provide to me a very brief paper, in 10 days, on how it would carry out its responsibilities for these assignments. Include your suggestions on how you plan to reduce substantially the information requirement of the POM preparation instruction and the budget estimate submission. Our objective will be to develop a POM that focuses primarily on major planning and policy issues.

I am setting the goal of cutting by at least 50 percent the POM documentation requirements associated with the current cycle (POM 83). It is my understanding that the response to the FY 82 POM requirements and instructions produced in one case, 2,691 pages of text and tables. Surely we can get by with half that, particularly if we begin to follow our new management principles. ASD (PA&E) should review the FY 83-87 POM preparation instructions and provide me a recommendation in 10 days on modifications that can be made to achieve the 50 percent reduction goal.

The Services also should be streamlining their internal programming and budgeting procedures. They should focus specifically on how they will provide the OSD staff and me the essential information we need to carry out our responsibilities. At a future date, I will ask the Services for a briefing and a progress report on how well they are doing.

#### Change of Role and Membership of the DRB

The DRB was established in April 1979 to help improve the efficiency of the PPBS, primarily by supervising the OSD review of Service POMs and the Budget Submission. I am now directing that the DRB role and membership be changed as follows:

#### DRB Membership

Chairman:	DepSecDef
Executive Secretary:	The Executive Assistant to DepSecDef
Permanent Members:	ASD (R&E)
Chairman, JCS	ASD (HA) Associate Director/OMB
SecArmy	ASD (MRA&L)
SecNavy	ASD (PA&E)
SecAir Force	ASD (C)
USD (P)	ASD (ISA)
USD (R&E)	ASD (ISP)

#### Role of DRB

The primary role of DRB is to help the Secretary of Defense manage the entire revised planning, programming and budgeting process. I plan to hold regular monthly DRB meetings and more often if necessary, to review proposed planning guidance; to manage the program and budget review process; to advise the Secretary of Defense on policy, planning, program and budget issues and proposed decisions; to perform program evaluations and reviews of high priority programs on a regular basis; and to assure that major acquisition systems are more closely aligned to PPBS.

I expect a limited number of major issues to be raised before the DRB. Lesser issues should be decided outside the DRB forum by consensus between the Services and appropriate OSD staff and recorded by appropriate decision documents. In all cases, the consensus must reflect Departmental and Administration policy. Where consensus cannot be reached, the issue will be referred to the DRB. I also expect full coordination of DRB decision papers well before DRB meetings.

DRB members must be more than advocates of their particular areas of responsibility; they must take a broader and deeper DoD view and help the Secretary and me manage far better, this complex organization.

## ZBB

The PPBS report on this subject concluded that the costs of implementing ZBB far outweighed the beneficial results. Examples were given of the tremendous amount of staff time and paper used with little effective value. I agree with these findings.

Therefore, I direct the Comptroller to begin the process of reducing the negative effects of the ZBB process on our PPBS beginning now with the FY 83-87 cycle. I would like a detailed plan on how we can do this effectively and with minimum dislocations for my approval within 10 days. Please coordinate the detailed proposal with OMB. The idea of reexamining the necessity and desirability of continuing each program is a good one. The process by which we have done this is not.

### Rationalization of Data Requirements

The move toward controlled decentralization and the assignment of more responsibility to the Services raises a number of issues on the level of detailed data formerly needed by OSD for centralized analysis and control. In keeping with this management philosophy, we will have to look to the Services to maintain an adequate data bank not only to manage and execute their programs but also to keep the Secretary and OSD informed. I expect that access by OSD will be as required to resolve issues and will be freely provided by the Services. OSD will continue to maintain those centralized data banks that are mandated by statute or necessary to support the Secretary in cross-Service analysis.

The use of that data by OSD must change. OSD should exercise its access not to provide an alternative detailed analysis of Service programs but to provide the necessary joint program, cross-Service, and Secretarial priority program analysis, review and evaluation. This of course does not preclude suggesting alternatives should this be desirable; but the development and presentation of alternatives is the responsibility of line management in the first instance.

I want to assure we have a better definition of this complex issue on level of detail, data banks and categorical formats. In addition, I want to reduce further the paperwork in the PPBS and to begin to rationalize the usage of the many varieties of categories and data bases required internally and externally.

To do this, I direct that a study be mounted to develop a more consistent framework of data bases and to reduce the level of data required among OSD and the Services. An inter-OSD-Service team led by the Comptroller as chairman should do an in-depth problem analysis and array options for cutting down the massive data requirements. Please include the OMB and legislative requirements. I expect this report in 30 days.

### Transition FY 83-87

We should begin to move toward the improved PPBS immediately. I direct USD(Policy) to prepare draft FY 1983-87 policy guidance, PA&E and Comptroller to prepare draft fiscal guidance and USD(R&E) and MRA&L to prepare draft resource objectives and planning guidance within 10 days. USD(Policy) should take the overall lead to pull the entire draft policy guidance package together and distribute it for review to all appropriate OSD and Service staffs. I then expect to hold the first meeting of the newly reconstituted DRB to review and approve the draft policy and fiscal guidance.

I expect a significantly reduced POM to be prepared by the Services by 15 June 1981.

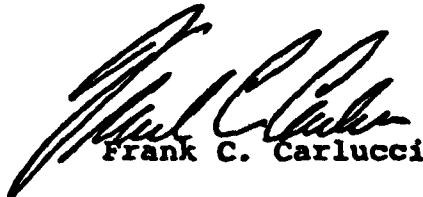
The Secretary and I, in consultation with the Director of OMB, have decided that the joint OMB/OSD budget review will be continued. The precise form and nature of this review will be developed with OMB in the next several weeks.

I will regularly review progress toward achieving this new revised PPBS. As we go through the FY 83 process and begin the FY 84 planning, I will keep open the options of a biennial POM and combined program-budget review in the next cycle. Much will depend on our progress this year.

### DoD Performance Review Process

The Secretary and I will soon be instituting a strong management review process through which goals, objectives, and milestones will be established and regularly reviewed by the Secretary and me for each major program.

I appreciate the time and interest you have provided during this review. Achieving the goals the Secretary and I have set will not be easy and will take time. The Secretary and I expect and know we will receive your full cooperation and your personal leadership over time to achieve our joint overall objective of revitalizing American military strength.

  
Frank C. Carlucci

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