



**STRATEGY  
RESEARCH  
PROJECT**

The views expressed in this paper are those of the author and do not necessarily reflect the views of the Department of Defense or any of its agencies. This document may not be released for open publication until it has been cleared by the appropriate military service or government agency.

**BUSTING DoD BUREAUCRACY:  
CREATING FUNDAMENTAL CHANGE BY LEVERAGING  
CONCEPTS AND PRACTICES FROM THE PRIVATE SECTOR**

**BY**

**LIEUTENANT COLONEL JAY M. KREIGHBAUM  
United States Air Force**

**DISTRIBUTION STATEMENT A:  
Approved for Public Release.  
Distribution is Unlimited.**

**USAWC CLASS OF 2002**

**U.S. ARMY WAR COLLEGE, CARLISLE BARRACKS, PA 17013-5050**



**20020530 126**

USAWC STRATEGY RESEARCH PROJECT

**BUSTING DoD BUREAUCRACY: CREATING FUNDAMENTAL CHANGE BY LEVERAGING  
CONCEPTS AND PRACTICES FROM THE PRIVATE SECTOR**

by

Lt Col Jay M. Kreighbaum  
United States Air Force

Dr Clay Chun  
Project Advisor

The views expressed in this academic research paper are those of the author and do not necessarily reflect the official policy or position of the U.S. Government, the Department of Defense, or any of its agencies.

U.S. Army War College  
CARLISLE BARRACKS, PENNSYLVANIA 17013

**DISTRIBUTION STATEMENT A:**  
Approved for public release.  
Distribution is unlimited.

## ABSTRACT

**AUTHOR:** Lt Col Jay M. Kreighbaum

**TITLE:** Busting DoD Bureaucracy: Creating Fundamental Change by Leveraging Concepts and Practices From the Private Sector

**FORMAT:** Strategy Research Project

**DATE:** 09 April 2002      **PAGES:** 44      **CLASSIFICATION:** Unclassified

This paper explores ways in which it may be possible to reorient, restructure and reorganize the DoD bureaucracy. DoD's organizational structure and practices are in need of fundamental change. The Defense Reform Initiative that has been on going within the Department over the last several years does not go far enough nor to the root causes to create real change.

Today's DoD bureaucracy continues to generate negative organizational effects such as: parochialism, misplaced loyalties, bureaucracy without an object, multiple layers of no value added staffs (and staff routines), endless reports and studies with little value, and gridlock. The basic managerial models and practices within DoD (public sector) are behind those used in business today (private sector). This paper will explore the possibility of altering some or all of DoD's organizational attributes, to include: centralized planning and control, a hierarchical structure, as well as mechanistic and sequential processes. Something needs to be done, to free us all from this malice, we ourselves, our routines, procedures and current organizational - managerial practices are the problem. The system itself facilitates parochialism, entrenchment, mediocrity, decay and inertia.

Given these assertions as premises this paper will explore what can be learned and translated from the private sector's organizational structures and practices to cause a renaissance in DoD. Organizational schema as well leadership and managerial philosophies (practices) will be explored for their potential to contribute to a new DoD. Additionally, terms and conditions will be defined between the public sector and the private sector in order to explore, develop and frame the differences between the two sectors. This comparing and contrasting between the sectors is vital to understanding the overlap and exclusion between the two contexts. In other words, there are limits to what can be taken over from the private sector into the public sector. Finally, the paper continues the quest to find fundamental metrics for the Department's National Defense decisions that are as compelling for us as are profit and market share within the private sector. What public sector equivalents to these private sector concepts can be found to keep DoD relevant, innovative, change agile and continuously successful in the vital business of national defense.

## TABLE OF CONTENTS

<b>ABSTRACT.....</b>	<b>iii</b>
<b>LIST OF ILLUSTRATIONS.....</b>	<b>vii</b>
<b>LIST OF TABLES.....</b>	<b>ix</b>
<b>BUSTING DOD BUREAUCRACY: CREATING FUNDAMENTAL CHANGE BY LEVERAGING CONCEPTS AND PRACTICES FROM THE PRIVATE SECTOR .....</b>	<b>1</b>
SCOPE.....	2
IDENTIFICATION OF THE PROBLEM.....	2
SYMPTOMS OF THE PROBLEM.....	5
BACKGROUND ON DEFENSE REFORM EFFORTS.....	5
ENDS .....	6
WAYS.....	6
MEANS.....	7
ASSESSMENT .....	7
ASSUMPTIONS .....	8
WHAT DOES THE PRIVATE SECTOR SUGGEST .....	9
BASIC ORGANIZATIONAL DESIGNS.....	10
ORGANIC (NETWORK) ORGANIZATIONAL STRUCTURE.....	12
Adaptation and Change Agility .....	13
Self Organizing, Collaboration, and Teams and Teaming.....	13
Decentralization and Flattening .....	13
Control By Broad Intent.....	14
Complexity, Chaos, Creativity, and Flexibility .....	15
Holistic Thinking and a Systems Perspective .....	15
Boundaryless .....	16

COMPETING VALUES FRAMEWORK.....	16
THE INTERPERSONAL DIMENSION OF ORGANIZATIONAL TRANSFORMATION .....	18
SUMMARY OF WHAT THE PRIVATE SECTOR SUGGESTS.....	20
<b>DIFFERENCES BETWEEN THE PRIVATE SECTOR AND THE PUBLIC SECTOR .....</b>	<b>21</b>
DIFFERENT.....	22
DIFFERENT, BUT THE DIFFERENCE CAN BE OVERCOME .....	23
<b>CONCLUSION.....</b>	<b>24</b>
<b>ENDNOTES .....</b>	<b>27</b>
<b>BIBLIOGRAPHY .....</b>	<b>33</b>

## LIST OF ILLUSTRATIONS

FIGURE 1. FLOW CHART SHOWING LOGIC FOR CHANGE .....	10
FIGURE 2. MAJOR ORGANIZATIONAL DESIGN CHOICES AND THEIR CHARACTERISTICS	11
FIGURE 3. FOUR ORGANIZATIONAL CULTURES .....	17



**LIST OF TABLES**

**TABLE 1. PERFORMANCE EQUIVALENTS (PRIVATE-TO-PUBLIC).....23**



## **BUSTING DOD BUREAUCRACY: CREATING FUNDAMENTAL CHANGE BY LEVERAGING CONCEPTS AND PRACTICES FROM THE PRIVATE SECTOR**

Before 11 September 2001, in the relative quiet before the attacks, there were voices within the Department of Defense (DoD) who counseled change. Not change in the traditional sense associated with DoD, those dealing with changes to weapon systems to address emerging threats and future warfare, but change at a more fundamental level. The change they counseled was far-reaching and it addresses the internal organizational structure of DoD itself, its culture and its fundamental governance.

Leading this advocacy for change and prominent among the voices was that of Secretary of Defense (SECDEF) Donald Rumsfeld. In a 10 September 2001 speech Secretary Rumsfeld championed the case for change and its compelling need when he said:

"Our challenge is to transform not just the way we deter and defend, but the way we conduct our daily business. Let's make no mistake: The modernization of the Department of Defense is a matter of some urgency. In fact, it could be said that it's a matter of life and death, ultimately, every American's.

It demands agility – more that 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. Business enterprises die if they fail to adapt, and the fact that they can fail and die is what provides the incentives to survive. But government can't die, so we need to find other incentives for bureaucracy to adapt and improve."<sup>1</sup>

These quotes and other remarks from the speech are a call for all of us within DoD to take responsibility to transform the way DoD does business every day. We are all behind the times; we are not keeping up with the private sector in terms of innovative management, business practices and evolving organizational structures.

We are behind the times, because being in the public sector itself allows us the luxury of failure, there is, in a sense, a disincentive to innovate and adapt because the compelling market force of competition does not exist. Tomorrow and the day after tomorrow - taxes will be paid and our salaries will be distributed, irrespective of our collective performance, for we have no competitor rendering services in national defense. As the SECDEF points out (above), if we were a business in the private sector and we failed to adapt, we would die, that is, the business enterprise in which we conduct ourselves would go out of business.<sup>2</sup> Businesses basically fail due to an inability to compete in the market place and generate profits and shareholder wealth. We within DoD (public sector) are essentially afforded the opportunity to become irrelevant

(non-competitive and unprofitable) and we drift into this irrelevance far too often. We get away with it because we are a monopoly in the business of national security and there are no competitors that out produce and out service us in the market.

So what is the answer, given that DoD is behind the times, in terms of organizational structure and fundamental governance (business and management practices)? What should we do; how can we change our institutional future and learn from the private sector in order to lose bureaucratic girth and become more change agile? This paper will explore these questions and others that relate to it in an effort not to solve the problem, but rather to describe it, identify its context and develop general attributes of an alternative DoD. By way of overview the discussion will proceed as follows: identification of the problem, background on defense reform efforts, assumptions, what does the private sector suggest, differences between the private and public sectors, and a conclusion.

## **SCOPE**

This paper makes a distinction between the staff and support aspects of DoD and the line and operations aspects. This paper will not address changes in organizational structure, attributes, or processes within the warfighting elements of DoD (the line and operations aspects). The concern is to focus on the higher headquarters' functions of staff and support aspects making up the realm of strategic management. These functions can also be characterized as the Title X activities of training and equipping the warfighting forces (Services) blended with the oversight and overarching management functions of the Joint Staff and OSD. However, this is not meant to imply that changes made within the management aspects of DoD do not effect the warfighting organizations, they do. It is simply a necessary simplification and separation of context required to address a complex topic in a very few pages.

This paper will not directly address implementing any changes it proposes. This is an acknowledged weakness in this paper and is indeed an acknowledged weakness in the whole change management industry.<sup>3</sup> The paper will instead focus on the need for change and survey the possibilities for change in terms of trends, attributes frameworks and values current in academic literature and the private sector today.

## **IDENTIFICATION OF THE PROBLEM**

There are several compelling sources that identify the problem of DoD falling behind the times and the need for DoD to reform and fundamentally change itself: President George W. Bush's campaign speech at the Citadel, Secretary Rumsfeld's speech of 10 September 2001, and the Quadrennial Defense Review (QDR) Report (September 30, 2001).

Bush while still a presidential candidate gave a speech at the Citadel on 23 September 1999 titled "A Period Of Consequences." In the speech, he talks about our nation and our military entering a time characterized by rapid change and important choices.<sup>4</sup> He goes on to discuss his intent to give the SECDEF a broad mandate to go into DoD and shake things up and challenge the status quo - with a purpose to build a new architecture for America's defense. In one section of the speech the President underscores two key themes to assail the status quo, the first deals with overcoming bureaucracy and the second with encouraging innovation, creativity, change and risk taking.

All this will require a new spirit of innovation. Many officers have expressed their impatience with a widespread, bureaucratic mindset that frustrates creativity. I will encourage a culture of command where change is welcomed and rewarded, not dreaded. I will ensure that visionary leaders who take risks are recognized and promoted.<sup>5</sup>

The President goes on to discuss that he has no illusions as to the size of the effort that will be required to transform the military nor that he will be able to do it alone without the help of Congress. He states the "military must embrace the productivity revolution that has transformed American business," by this I take the meaning to extend to the overall business (National Defense) of DoD.

You have already read some of the Defense Secretary's remarks from his speech of 10 September 2001 in the introduction to this paper. The speech is the key governmental document championing the need and cause for DoD to reorganize and dramatically reduce its bureaucratic tendencies. The speech is a call to organizational arms declaring a war on bureaucracy. Rumsfeld states our adversary is ourselves, "the Pentagon bureaucracy, not the people, but the processes, not the civilians, but the systems, not the men and women in uniform, but the uniformity of thought."<sup>6</sup> The most important points to take from the SECDEF's speech are the following:

- DoD needs to change the way it does its day to day business,
- We need to become more adaptive and change agile as individuals and organizations to keep pace with today's and tomorrow's rapid changes,
- The means to our reorganization will lie in changing our management and business practices,
- DoD needs to become leaner and less hierarchical, and
- Innovation needs to be rewarded and information shared.

The last source we will look at in support of identifying the problem is the Quadrennial Defense Review Report (September 30, 2001). In Chapter VI of the report, "Revitalizing The

DoD Establishment," several important points are made in reference to transforming DoD and how it conducts business. This chapter leads off by asserting that during the time the security environment shifted from a Cold War structure to one of uncertainty and varied threats, the private sector of America changed along with the times. Businesses changed fundamentally in response to this post Cold War shift - changing their organizational structures and managerial practices.<sup>7</sup> However, DoD has not kept pace with the changing times and the business environment.<sup>8</sup> The criticism for DoD in terms of where it has failed to keep pace with the private sector is specific: "While America's business have streamlined and adopted new business models to react to fast-moving changes in markets and technologies, the DoD has lagged behind."<sup>9</sup>

The QDR Report goes on to discuss the need for a revitalization process within DoD. DoD needs to transform and catch up with the times (business sector) and part of the revitalization involves increased interaction with the private sector.<sup>10</sup> The report has specific recommendations that outline some prescriptive changes needed in order to transform DoD:

- DoD's organizational structure needs to be streamlined and flattened to take advantage of the opportunities that a rapid flow of data and information present,
- As in business, unnecessary (redundant and inefficient) functions need to be eliminated,
- Boundaries must be broken to accelerate change across the entire organization, promote cooperation, share information and best practices, and institutional change throughout the Department,
- In both the organizational structure and the military culture, DoD must find ways to encourage and reward innovation and risk-taking among fighting forces as well as support personnel, and
- Streamline the overhead structure and flatten the organization.<sup>11</sup>

All three sources (The President, the SECDEF, and the QDR) are consistent in their recognition that DoD needs to change fundamentally in its organizational structure and culture in order to be able to adapt and keep pace with the rapid tempo of change characteristic of today's security environment. They all agree that DoD should look in part to the private sector to borrow some of the adaptations they have used to change with the times and which may be applicable. DoD needs to move from an organizational configuration evolved from the industrial age to one optimized to exploit today's information age.

## **SYMPTOMS OF THE PROBLEM**

The antiquated organizational structure and management practices within DoD manifest themselves in a variety of symptoms and behaviors that impacts the business of DoD negatively. The following negative effects and attributes are a downside outcome of DoD's current organizational structure and governance: parochialism, misplaced loyalties, bureaucracy without an object, multiple layers of no value-added staffs (and staff routines), endless reports and studies of little value, lack of incentives for risk taking and truth telling, sub-organizations resisting change and pursuing their interest at the expense of higher institutional interest, fundamental gridlock and institutional inertia in accommodating and responding to external demands for change (threats and opportunities).

The good news is that the leadership (the President and SECDEF) is aware of most of these negative behaviors within DoD. Although, I will argue later in the paper that the causes are inadequately identified (at the margins) and that the real cause is systemic and a result primarily of DoD's organizational structure (at the core). The bad news is that awareness only begins to address the problem and past attempts to remedy some of these failings have not had a lot of success. Change, particularly a radical fundamental one, required to reorganized DoD is an extremely difficult task, tough to sell, and harder still to achieve. Yet, this is the implied, if not, explicit task given within the President's and Secretary's speeches. It is hard to say what might have been the progress to date on the SECDEF's reform intent given in his 10 September speech had there not been the events of 11 September. For now, and rightly so, DoD is focused externally on its immediate missions to secure America and reduce Al Queda and its network worldwide. However, the internal task will remain, it will not remedy itself on its own.

## **BACKGROUND ON DEFENSE REFORM EFFORTS**

The SECDEF's speech of 10 September outlines a strategy for transforming the Department's bureaucracy.<sup>12</sup> Although some of the specifics of Secretary Rumsfeld's transformation strategy are new, defense reform is not, and has been underway for many years at the Pentagon. Indeed, successive Annual Reports to the President and Congress of 1998, 1999, and 2000 have included "Defense Reform (Initiative)" as a chapter of the reports.<sup>13</sup> Additionally, the current National Security Strategy outlines a top-level policy for transforming the military as well.<sup>14</sup>

DoD is essentially launching a self-directed effort to downsize and reorganize its staff function (bureaucracy). The administrative management function of the Department has become bloated, overly bureaucratic, infused with too many levels, slow, non-agile and

unresponsive to change. In short, DoD has too many overhead costs, in terms of personnel, offices, functions, processes, systems, procedures and regulations. The resources DoD can save from re-engineering its organizational structure (transforming its bureaucracy) can be put back into the real business of defense, which is warfighting, both products and services (equipment and forces). This is what the Secretary calls shifting resources from tail to tooth.<sup>15</sup>

The transformation has been underway and some steps have already been taken.<sup>16</sup> The SECDEF has no illusions on the magnitude of the initiative, or the resistance to change that will be encountered. He states that the work will take longer than a year or even eight. However, the SECDEF makes it equally clear that the security of the United States is at stake and it is matter of life and death. DoD's current defense reform (transformation) will be evaluated below in terms of an ends, ways, and means assessment model.

## ENDS

The DoD bureaucracy transformation policy has very ambitious objectives. The fundamental end sought is no less than to revolutionize the way DoD conducts daily business, as Secretary Rumsfeld put it, "to liberate DoD and save it from itself."<sup>17</sup> The required end sought is for the Department to emulate the private sector's capability to adapt to rapidly shifting external events and technological innovations. This organizational agility (end) is consistent with the demands of a volatile, uncertain, complex and ambiguous (VUCA) security experience that characterizes the post cold war environment today and the information age.

## WAYS

The basic concept underpinning the transformation policy is revolution; revolution in the sense of one form of organization being overthrown and replaced by another. The fundamental engine of the revolt will be creating a command climate and organizational culture that frees individuals to take thoughtful reasoned risks in their day-to-day work (staff functions) within DoD. DoD needs to eradicate the current staff mentality of preventing mistakes (zero defect) and replace it with one having a positive object of promoting change through innovation and timely adaptation. All of this will be undertaken in a series of steps to shift DoD's focus and resources from bureaucracy to the battlefield, from tail to tooth.<sup>18</sup>

The broad courses of action are: reducing manning at headquarters staffs; realigning and reducing bases; re-engineering the planning, programming and budgeting system (PPBS); as well as changing business practices within acquisition, logistics, finances, housing, health care, human resources and the commissary/exchange system.

The DoD transformation policy will pursue its revolution in management, technology, and business practices using the following methods: education, policy changes, organizational changes, outside assistance, command interest, and formal accountability.<sup>19</sup>

## MEANS

DoD is moving out on transformation and the following means and resources have been put into action. A request has been made to Congress to begin a process of closing excess bases and consolidating the B-1 bomber force. Additionally, the following monies have been committed, \$400 million in public-private partnerships for military housing and \$100 million for financial modernization. Moreover, utility services at military installations are being privatized. DoD has also created two bodies to facilitate the transformation, the Senior Executive Council and the Defense Business Board.<sup>20</sup>

## ASSESSMENT

Looking at the DoD transformation policy as an overall strategy, the following assessment of the balance and risk between its elements (ends, ways and means) is offered. There is substantial risk that the declared ends of the policy will not be achieved. This is very risky if indeed it is a matter of life and death and the security of the United States is at stake. This pessimistic forecast is based on an assessed mismatch between large ends and too small ways and means.

Some fundamental beliefs develop a critique of current and past defense reform efforts since 1997.<sup>21</sup> The first premise holds that real change (a revolution) is not achieved incrementally and the driving impetus for it rarely comes from within the organization itself. A second premise, closely related to the first, is that it takes more than rhetoric to realize revolutions in military and business affairs.

Past and current Defense Reform efforts, however well intended are inadequate. They are inadequate because they are focused at the margins, that is, the symptoms (effects) of the problem and not at the core (i.e., systemic causes of problem). The systemic causes at the core of the problem requiring the focus of the transformation effort are the organizational culture and structure of DoD (its fundamental governance). The focus needs to be on how DoD gains and processes information and how it distributes decisions and decision making throughout the organization.

## **ASSUMPTIONS**

To aid the reader in determining the relevance of this paper and the soundness (or lack thereof) of the argument, the following assumptions/premises underlying the perspective of this paper are listed and briefly discussed below.

DoD has a problem with responding rapidly to external change demands dictated by both a specific external environment (national security threats) and to the general pace of change in the world today (technology, information, and innovation) as well as to internal changes proposed by leaders and workers from within the organization. This characteristic of an organization can be captured in the term "change agility." DoD is not very *change agile*, in part due its sheer size but mostly because of its bureaucracy and the antiquated organizational structure and business/management practices that go with it.

The root cause of DoD's problem lies in its organizational structure (overly bureaucratic) and its antiquated business models and practices. A companion premise to this is that current approaches to the problem are directed at the margins and not the root causes of the problem.

Two different organizations have identified DoD's problem although with slightly different contexts. The first is DoD itself (as the Secretary's speech bears testimony of), which is aware of a need to reform, however the focus is limited to acquisition and logistics.<sup>22</sup> The second is the Business Executives for National Security (BENS), a privately run, Washington based think tank, they have focused their reform efforts on the Planning, Programming and Budgeting System (PPBS).<sup>23</sup> Both efforts are astute and commendable, and indeed their work will be cited in this paper as supportive, however, both are limiting their approaches to changing DoD by particular parts (business units and processes) vice a focus to the whole. The principal merit to these approaches are details and pragmatism, however, whether these efforts of parts will be able to coalesce and transform the whole remains to be seen.<sup>24</sup>

The third premise follows from the discussion of the second; DoD requires radical change focused on its whole structure (fundamental governance), as opposed to incremental changes focused at the margins. None of us can turn back time, DoD cannot go back to the Cold War and its relatively static environment. The environment today is best characterized as volatile, uncertain, complex and ambiguous. Furthermore, the overall rate of change is accelerating, therefore, organizations must up their tempos of adaptation and their structures and processes there in to match these increased rates of external change.

All efforts to formulate a radical change to DoD's organizational governance must be mindful of a fundamental tension between exhorting change agility on the one hand balanced with adequate deliberation of decisions on the other, given the seriousness of national security

(and the potential irrevocability of some decisions). This can be understood in part as the classic tension between centralized control and decentralized execution. However, what is really being sought here is decentralized control, which provides for rapid decisions and actions at the point of interest without the time delays inherent in pulsing up and down through the organizational layers for decision and authority.

The last assumption states that the private sector can provide valuable insights and models to help shape ideas to create a new DoD structure. Indeed, this premise is fairly well established in both DoD's internal reform efforts as well outside independent looks being given to reform (e.g., the BENS).

### **WHAT DOES THE PRIVATE SECTOR SUGGEST**

It may helpful to first walk through the fundamental logic which forms the conceptual basis for this examination before delving into the particulars of the private sector suggestions for change (see Figure 1.). Recapping the figure below, the times have changed; we have all moved irrevocably from an industrial age to an information age. The age shift in turn has changed both the amount of change we experience daily as well as the rate at which we experience it. Due to these increased change demands (both internally and externally to DoD); we need to investigate changing DoD's basic governance structure(s) looking at what the private sector has to offer in terms of adapting to the information age (organizational trends, attributes, frameworks and values).

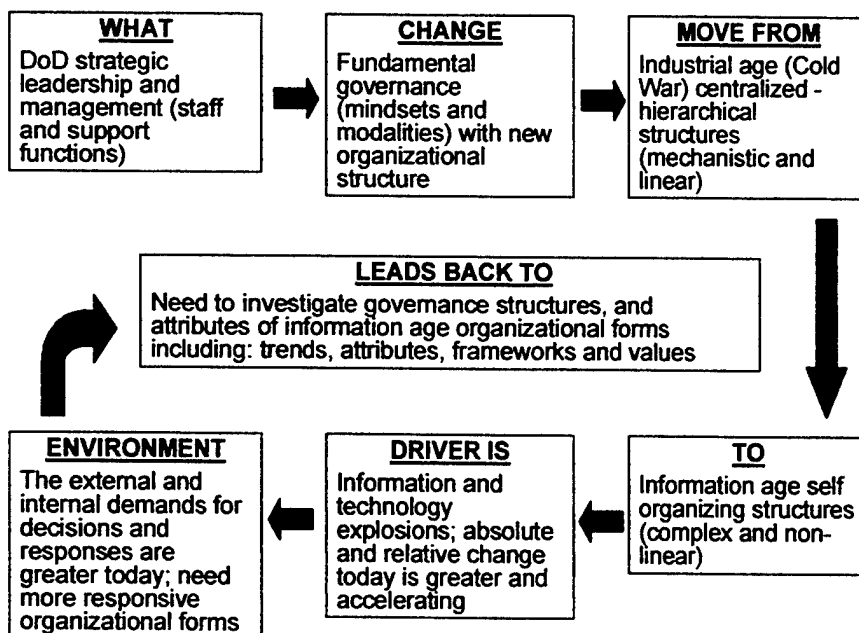


FIGURE 1. FLOW CHART SHOWING LOGIC FOR CHANGE

The survey to follow is developed from academic literature, which is principally concentrated on the private sector. There are three main groups involved in the development and implementation of change in the private sector, academics, managers and consultants.<sup>25</sup> Either academics or consultants write most of the organizational development and transformation literature. Managers are generally in the trenches trying to affect change and just run their businesses and generally do not have time to write on organizational development or transformation. This helps to explain why the literature is thin on implementation (practice) and thick on theory (change strategies).

#### BASIC ORGANIZATIONAL DESIGNS

Inherent in most of the organizational change literature of the last ten years (but not all) is a criticism of the bureaucratic model. The main criticisms of bureaucracy as an organizational model are: strict hierarchical structures, over centralization of decision making, too many rules and procedures, too much emphasis on controlling, over formalized and structured forms, over compartmentalizing of information and functions, and an over emphasis on stability,

predictability and efficiency.<sup>26</sup> Bureaucracies are usually though not exclusively associated as an organization model that emerged from the industrial age.<sup>27</sup>

In response to a growing sense that the bureaucratic model is not keeping pace with the tempo of the times and is not an optimum fit for the information age - several organizational alternatives are emerging. The most prominent among the alternatives is an organic (or network) organizational design. The illustration below depicts some general choices for designing an organizational structure.<sup>28</sup> At left is the well-established bureaucratic model and at the right is the emergent organic model, and the middle represents a notional hybrid of the two.

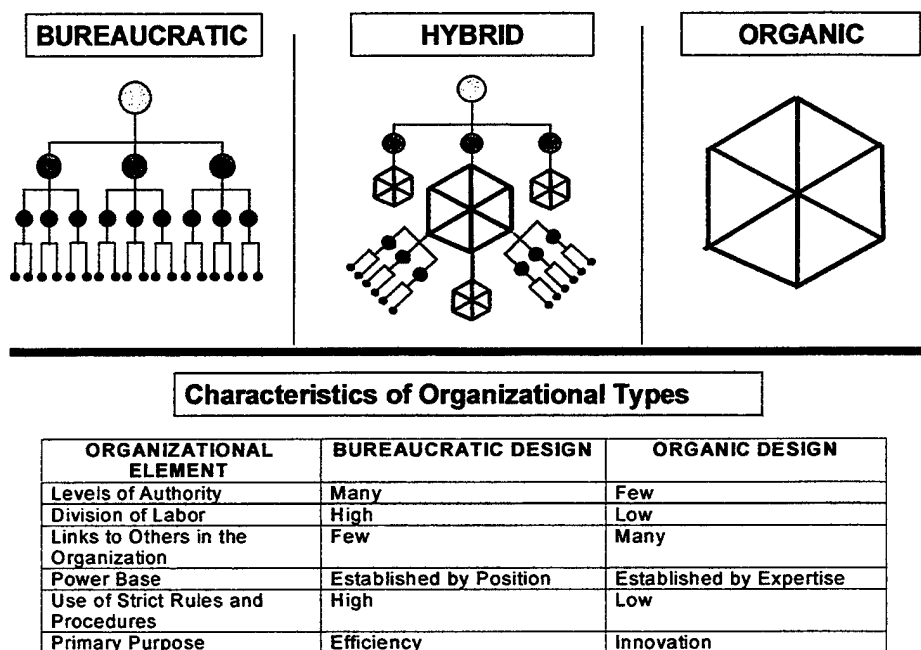


FIGURE 2. MAJOR ORGANIZATIONAL DESIGN CHOICES AND THEIR CHARACTERISTICS

The table within Figure 2 paints a portrait of both the bureaucratic model as well as the organic one along selected organizational traits. The bureaucratic design in general, has many levels of authority, has a high division of labor, has few links within the organization, power and authority is established by position in the hierarchy, has a high use of rules and procedures, and its primary purpose is efficiency and stability. The bureaucratic model is contrasted with the organic design and in general has few levels of authority, a low division of labor, many links to others in the organization, power and authority is established by expertise, few rules and procedures, and its primary purpose is innovation and flexibility.

Given this introductory understanding of the basic organizational design types the next section will examine the organic design in more detail. The bureaucratic model will not be explored in detail as it is the existing design within DoD and the expressed purpose of this paper is to explore alternatives to it.

## ORGANIC (NETWORK) ORGANIZATIONAL STRUCTURE

There is no definitive organic structure in business today to study and examine, as the name implies an *organic* structure is a *living* one. This means that organic structures have the capacity to change, albeit slowly, in response to external and internal demands. This attribute of an organic structure to self organize in response to external stimuli – contrasts sharply with the rigid structure of a bureaucracy and its more mechanistic process for accommodating change. One of the leading premises of this paper is that DoD has a problem with responding rapidly to external change (both national security threats and the overall pace of technology) as well as to internally initiated change proposals. What DoD needs is greater change agility. An obvious place to look for ideas to improve DoD's change agility is to the organic organizational design structure. While there are no definitive organic models to study, there are many organizational attributes that can be assessed to aid in appreciating and understanding the potential of an organic type design to transform DoD's bureaucracy. The following section briefly surveys a number of these attributes to begin an appreciation of the organic design.

A note before beginning the survey and a caveat, all of the attributes to follow are highly interactive and interrelated, few if any of them stand alone in practice. Most the attributes are mutually supportive and inclusive and collectively compose the ingredients of the organic organizational stew. The attributes are represented one dimensionally, that is from the limited perspective that their contribution to any given organization is only positive. This perspective is limited; in fact, most of these attributes also have the potential to affect a given organization negatively. However, in the interest of scope, this paper will not address the negative potential. The main intent in this section is for the reader to gain an appreciation for some of the concepts available, which might contribute to DoD successfully transforming its organizational structure (governance). For those concerned with a more balanced perspective, take heart, the next major section of this paper, the Competing Values Framework, examines changing organizations (by culture) based on trade-offs between four competing frameworks.

## **Adaptation and Change Agility**

The basic idea with adaptation and change agility is that in an increasingly complex world where rapid change is the norm, rigid and large organizational structures are too ponderous and inflexible to be responsive. Organizational mechanisms that are more agile and adaptive would seem to be a better approach.<sup>29</sup> The change agility capacity of an organization can be enhanced by decentralizing decision-making and working to reduce as many unnecessary rules and procedures as possible. Given these enhancements, when external challenges arise individuals within the organization at the point of attack are provided the opportunity and authority to act with a minimum amount of coordination.

## **Self Organizing, Collaboration, and Teams and Teaming**

All three of the topic headings are closely related. One way to cope with the rapid pace of change in the information age is to provide for a great deal of flexibility within an organization to self organize and adapt to the demands of the environment (a self-regenerative capability).<sup>30</sup> Given an external threat or opportunity, one method of response is to allow the nature of the stimulus (the expertise required) to dictate the composition of the organizational response. Typically, the organization composes its response (self organizes) by forming a team (selected on the basis of individual expertise that the members can bring to bear on the challenge or opportunity).<sup>31</sup> Teams can be formed on an ad-hoc basis by drawing members from across the organization; this is referred to in some of the literature as a matrix type solution.<sup>32</sup>

Gareth Morgan in his book *Imaginization* devotes a whole chapter to the idea of organizations being able to be self-adaptive and self-organizing. Returning to the introductory theme of this section, Morgan makes a statement that emphasizes the interrelated nature of all of these "organic" attributes: "numerous organizations are now facing the challenge of finding more flexible, adaptive forms. Decentralization and a flattening of hierarchies are key priorities."<sup>33</sup> Morgan invokes the metaphor of a hanging spider plant to make his case for organizations being flexible and adaptive as they self organize and create in order to respond to external demands.<sup>34</sup>

## **Decentralization and Flattening**

Decentralization and flattening within an organization are closely related. A consequence of both of these efforts is to make the organization more horizontal than vertical and more self-organizing than hierarchical. With decentralization a value is placed on pushing decisions down to the lowest levels.<sup>35</sup> Looking back to Figure 2, one of the methods to decentralize and flatten

organizations is to shift the power base and authority within an organization from one established by position (hierarchy) to one established by expertise (self organization based on subject).

Along with enabling decisions being made at the lowest levels is the need to examine the fundamental value added of the individual levels themselves. Successive levels of management and supervision within an organization are usually created to arbitrate decisions arising from lower levels. Multiple overlapping levels (layers) have a tendency to create a very stable structure that is slow to react but predictable and thorough in its deliberation.<sup>36</sup> The main example of such a structure is a bureaucracy, with its multiple layers of supervision and management. As Secretary Rumsfeld noted in his 10 September speech, 17 layers of bureaucracy within DoD is too many, obviously some of these levels of management are not contributing a lot of value added. One of the benefits of a decentralizing decision making is to flatten the organization and eliminate less productive layers.<sup>37</sup>

### **Control By Broad Intent**

This attribute relates to the form and manner in which policy and guidance is distributed in an organization. In general, within organizations, the more specific and formal the up-front guidance, the less the potential for flexible and independent follow-on actions. Additionally, the converse to this is also generally true, the less specific and informal the up-front guidance given, then the greater the potential for flexible and independent follow-on actions. Gaining change agility and adaptive power in an organization can in part be realized by developing less formal and specific guidance, that is, commanding by general intent versus specific direction or plan. Command by intent affects guidance by generalized mission type orders rather than highly structured and detailed operational orders. Obviously, in the military (particularly the line functions) there is often a need for high accountability and specificity within the guidance given. However, in general, the more an organization can reduce unneeded rules and procedures and give broad guidance as opposed to detailed guidance the better its flexibility and responsiveness to respond to uncertainty. Another way of saying this is to decentralize the decision making in an organization to the maximum extent possible. This decentralization gains autonomy and flexibility for the downstream participants at the implementation end of the business, rather than retaining the authority for decisions upstream, which necessitates more communication up and downstream to receive permissions. If you want to get inside the decision cycle of your opponent or in this case the complexity and rapidity of change today, you have to be willing to pay a price in forfeiting some centralized authority. Whatever the scale

selected for a decision cycle, whether it is an individual dueling in aerial combat or an organization engaged in outthinking an opponent organization, the ability to observe, orient, decide and act quicker than the other entity wins.<sup>38</sup>

### **Complexity, Chaos, Creativity, and Flexibility**

Much of the emergent organizational thought today has its origins in complexity and chaos theories. Both theories challenge traditional mindsets of being able to predict behavior and plan for the unknown. Both theories point to a need for individuals as well as organizations (as collections of individuals) to learn the value of suspending judgment and being open to finding new solutions to old problems. Additionally, flexibility and creativity come into play, when we are faced with problems we did not anticipate and when plans become useless as they depart from starting state predictions and assumptions.<sup>39</sup>

### **Holistic Thinking and a Systems Perspective**

These two topics, holistic thinking and a systems perspective deal simply with viewing an organization as well as major projects as a whole rather than as parts. Adopting these two approaches to thinking and understanding structures and events may well be the hardest challenge. It is difficult for all of us to think of wholes because from the start of our formal education we are taught to think in parts. All of us are raised to use a reductionist approach to knowledge, which teaches us to decompose our subject matter into smaller and smaller discreet parts, in order to focus our examination and understanding. What is not taught, what I call fusionist thinking takes the opposite approach to knowledge, by seeking to understand a subject by combining related parts into larger and larger wholes.

An organization can be understood as a complex adaptive system with multiple interconnected levels within it, from this one can derive the principle that change to any one level influences the other levels. What is being prescribed in the prior sentence is a systems view to the dynamics of an organization, a holistic approach rather than a parts approach. Rather than approaching change mechanistically in a linear cause and effect sequence one needs instead to think in terms of the whole system and complex non-linear interactions. This type of systems thinking approach to organizational dynamics is advocated by Peter Senge (*The Fifth Discipline*), Margaret J. Wheatley (*Leadership and the New Science*) and Gareth Morgan (*Images of Organization*).<sup>40</sup>

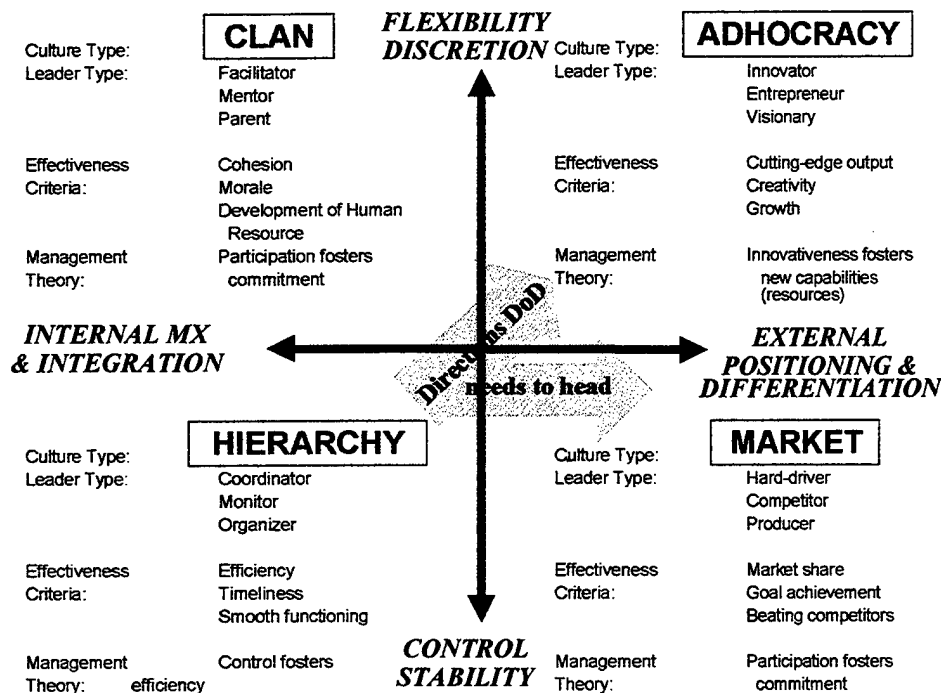
## **Boundaryless**

Breaking down unnecessary barriers in an organization is seen as a key contributor to developing an adaptive, more open, and responsive organization. A quote by Jack Welch (CEO of General Electric) makes this point well: "...pushing collaboration deeper into the organization through his 'boundaryless' and 'best practices' programs designed to open minds, clear communication channels, and eliminate parochial attitudes that had insulated functions, isolated businesses, and separated operating units from one another."<sup>41</sup> The prime result sought by breaking down barriers in an organization is to increase integration. Greater sharing of information from a mindset of more trust and cooperation gains integration between individual sub-organizations (business units). Enhanced sharing and loyalties to higher organizational goals versus self-goals (or sub-organizational goals) is often captured as a "we instead of me" mindset. Misidentification of loyalties happen all the time within all organizations whenever a given sub-organization withholds information or seeks to gain an advantage over another sub-organization, the overall organization suffers. This is exactly what happens in the case of service rivalries – a service seeks advantage over another at the expense of another service and the overall business of defense. The real loyalty should not be to the service, but to DoD – the national defense that is the true higher cause demanding a super-ordinate loyalty.

## **COMPETING VALUES FRAMEWORK**

There is a healthy debate in organizational development and transformation circles as to what comes first, organizational restructuring or changes to organizational culture in compelling change within an organization. The debate is not going to be addressed or settled within this paper. However, it is important to address organizational culture as a vital ingredient of transformation. The competing values framework developed by Kim Cameron and Robert Quinn, besides its great independent worth also serves to illustrate that decisions concerning organizational structure and attributes are best framed as trade off decisions occurring along a continuum rather than as one dimensional benefits without costs.

The best way to discuss the competing values framework is to examine its basic assertions and models. The framework develops four basic organizational cultures with four individual characteristics and values. The cultures are located along two axes with each end of an axis being designated with an overarching organizational value and focus (see Figure 3).<sup>42</sup>



**FIGURE 3. FOUR ORGANIZATIONAL CULTURES**

The specific cultural dimensions being examined in the figure are leadership, effectiveness and organizational theory. Typically, most analysis would place a bureaucratic type organization like DoD at the lower left-hand quadrant ("Hierarchy"). It is fair to say that DoD by most generalized assessments is best characterized as a bureaucracy with a predominantly hierarchical culture. Given this premise, one can see that what is optimized in a bureaucracy is internal maintenance (MX) and integration as well as control and stability. An additional premise can be made that generally organic or network type organizations are assessed as being of an adhocracy organizational culture. In an adhocracy the premium organizational value is on flexibility and discretion as well as external positioning and differentiation. This examination of only two quadrants begins to illustrate that moving an organization from one culture to another must be viewed as a series of tradeoffs. Looking only at the major axes the potential trades for DoD to consider are giving up some control and stability to gain flexibility and discretion, and on the other axis, giving up some internal maintenance and integration to gain external positioning and differentiation. Most organizations when they survey themselves using the organizational culture assessment instrument (OCAI) (the business end of the competing values framework) find that they are really made up of parts

of each of the cultures.<sup>43</sup> However, each organization will have a predominant organizational culture that acts as a sort of cultural trump.

The competing values framework, understanding it and applying it to a given organization in order to aid changing its culture could easily be the subject of a paper by itself. The main points to take from this very brief introduction to the framework is one, organizational culture must be assessed, and two, changing organizational culture (and structure) is best approached from the perspective of making trade-offs. There is no one answer and no one dimension the organization can get competent in without paying a competency or value cost in another dimension.

### THE INTERPERSONAL DIMENSION OF ORGANIZATIONAL TRANSFORMATION

Transforming organizations is more than just changing structure, processes, and authority relationships, it is also about changing people, both individually and collectively (organizational culture). One could argue that as the individual's beliefs and behavior go, so goes the organization's collective behavior. The implicit premise being that organizational culture is an aggregate of individual behaviors.<sup>44</sup> Whether one accepts this proposition or not - the interpersonal behavior element needs to be examined as part of the overall organizational transformation scheme.

The next two examples serve to illustrate the individual element of change. Each tells a slightly different story with a slightly different emphasis, but they share some common themes. These themes are: learning through honest exchanges, opening of minds', suspending judgment, and respect for other viewpoints and each other. Implicit in all of these themes are the values of trust, commitment and learning. If these values are commonly held by individuals in an organization, then the chance of their collective success when interacting each day with each other is increased and more importantly the greater that organization's potential for adaptation.<sup>45</sup>

The following statement captures the importance of two-way communication, communication downstream (manager to executor) and the mostly atrophied communication upstream (executor to manager).

Managers making upstream choices set the context for and constrain downstream choices. However, sometimes these upstream choices inadvertently make the downstream choices impossible or sub-optimal. In such cases, for the optimal set of choices to be made downstream, the chooser must flow the dilemma back upstream to encourage the upstream chooser to reconsider and modify the upstream choice.<sup>46</sup>

This quote helps explain one of the ways in which the status quo gets perpetuated. Every time an individual downstream (who generally has greater access to data) is unable to communicate feedback upstream to modify constraints and or the context of prior instructions an opportunity to change is missed. Today more than ever the critical data is at the downstream levels and when it fails to make its way upstream it generally leads to poor strategy choices at the top. Wrong choices are made upstream, because either critical decision information is missing and or the entire context and framing of the issue or problem is incorrect. DoD needs to improve its upstream feedback channels (e.g., component to parent service, and unified command staff to joint staff). If the upstream decision makers are unable or unwilling to open themselves up to the requests downstream feeding back to modify the context and or constraints of a given task or policy - then there is no true two-way communication, and the organization is not learning from the exchange.<sup>47</sup>

The next organizational learning parable has to do with group dynamics and the responsibility of each individual to challenge themselves to approach an encounter not from the mindset of winning but from one of learning.

Most people have a tendency to approach group tasks with a conventional mental model. This model is comprised of certain social values and assumptions about effective conduct. Individuals participating within a group normally believe in honesty, sticking to their principles, values, beliefs, and in advocating their positions. Indeed, the challenge is to hold and advocate a given position in the face of other's advocacy. Individuals in groups strive to be rational and to avoid decisions based on emotion. However, at the same time, most individuals also attempt to respect the feelings of others in the group and to be caring, helpful and supportive.<sup>48</sup>

When individuals with this mindset of group action and conduct come together they are faced with a dilemma, on the one hand they want to win, and on the other the social values of respect and caring leads them to conceal criticisms of the other's reasoning processes and personal attributes. Each individual is trying to control the situation and win, and yet not hurt others.<sup>49</sup>

However, within the group when a "winning and caring conduct" model is used, no matter what the individual members do they cannot win as a group. However, there is another approach, a different mental model to use for group dynamics, the following quote outlines this alternative:

"If we wish to learn new things in highly uncertain situations, we need to approach the learning task from a different perspective. We must come to that task with open, questioning minds rather than an attitude of seeking to win. We have to discuss threatening issues and expose the assumptions we are making

about the motives of others so that those assumptions can be publicly tested. If this is not done, we will end up making decisions on the basis of untested information, and that is not a rational thing to do. This approach can be personally risky and threatening, however, so most people avoid doing it. Trying this new mental model takes a great deal of effort, and it is very easy to slip back into the mode in which we conceal things and seek to win rather than to learn."<sup>50</sup>

The point is that each of us in whatever organization we find ourselves needs to summon the personal courage to be honest and give others the benefit of our *complimentary* thinking as well as our *critical* thinking. This is one dimension of truth telling; the other dimension is honest listening, being open to new perspectives and ideas, suspending judgment - till you understand.<sup>51</sup> Peter Senge also dwells on this principle of organizational learning, when he advocates entering into dialogue as opposed to entering into a discussion. The difference being in a discussion one seeks to win - banging away repeatedly at articulating your position, and in a dialogue one seeks to understand one's own thinking and others to arrive at a common understanding.<sup>52</sup>

When one thinks about the individual and the organization - it all comes down to the autonomy of the human spirit. How often have all of us thought, you can have my body, but not my mind; or at best, my body, some of my mind, but not my heart. The timeless challenge facing an organization is how to gain the fuller energies of the individual in the work place. Organizational theory may not know the cause to summon these fuller energies but they have articulated the behavioral effects.

Argyris as far back as 1957 developed a Maturity-Immaturity Model to describe two different sets of behaviors. The first set of behaviors is attributed to a bureaucratic (mechanistic) type organization. These type organizations codify immature behavior characteristics such as: passivity, dependency, shallow interest, short-term perspective, subordinate position mentality, and little self-awareness. The second set of behaviors while not attributed to an organic (network) type organization specifically (did not exist in 1957) can certainly be acknowledge as their intent today. Organic type organizations codify mature behavior characteristics such as: desire for active participation, independence, varied interest, long-term perspective, super-ordinate outlook, more self awareness, and lastly self-control (mastery).<sup>53</sup>

## SUMMARY OF WHAT THE PRIVATE SECTOR SUGGESTS

The last three sections: organic (network) organizational structure, competing values framework, and the interpersonal dimension of organizational transformation address different

aspects of transforming an organization to better accommodate the change demands of the information age.

The organic (network) organizational structure section gave a quick survey of unconventional organizational attributes, which are being adopted in differing degrees and combinations by businesses today. These organizational attributes are essentially arrows pointing to paths headed in the right direction for progress change.

The competing values framework section illustrates that change is difficult because no one attribute can be gained without some organizational cost. That is, change in any organization is a trade off; some functions will be optimized by a change while others become less efficient. Additionally, the framework develops the inter-related nature of organizational culture and organizational structure, such that change to one compels change to the other as well.

Finally, the interpersonal dimension of organizational transformation section discussed the importance of the individual within an organization. In order to transform an organization, the individuals within the organization must also be changed. There is a distinct and ongoing challenge to improve each individual's ability to think and communicate with other individuals as well as with groups and within groups.

## **DIFFERENCES BETWEEN THE PRIVATE SECTOR AND THE PUBLIC SECTOR**

One needs to examine the differences between public sector (non-profit) organizations and private sector (for profit) organizations, because most of the literature explained so far is oriented towards transforming private sector organizations. The differences between the public and private sector need to be analyzed to provide for sufficient insight, to form some judgments as to whether or not to qualify and limit some of the applicability of the organizational transformation information (private-to-public).

The whole point of this section is to challenge the *potential* of change for the public sector, to question whether or not there are sufficient forces external to the organization to compel it to change. The private sector organization exists in an environment of competition. It draws on the hard cold measures of customer feedback, profitability, market share, and performance in the stock market to compel it to change or die. Private sector organizations have the ultimate drive of *survival* to draw on to overcome the status quo and re-invent themselves and their business. On the other hand DoD does not compete; it is a monopoly; and it does not have the private sectors hard cold measures to draw upon to compel change.<sup>54</sup>

This section is presented in two sub-sections, "Different," and "Different, But the Difference Can Be Overcome." The difference being referred to in both of these sub-sections is the difference between the private and public sector. The first section outlines all the differences and the second section acknowledges the differences but presents concepts and principles that can be used to overcome some of these differences.

## DIFFERENT

Starting with obvious differences - the public sector does not have a bottom line, that is, it is not generating a profit. Public sector businesses do not pay for themselves; they are paid for by the public. If a public sector business fails to perform well or does not serve its public, then it does not go out of business. This is a vital point; DoD is essentially insulated from notions of performance relative to its survival. That is, for a public sector organization there is no direct relationship between its performance and its survival (competitive advantage and viability in the market).

DoD has two sets of customers, one external and one internal.<sup>55</sup> The external customer is the taxpayer. DoD serves the people of United States. The internal customers at the upper management levels are the President, Congress, and the Secretary of Defense. These bodies direct and make demands of the business and "the business of defense" responds. The people are also shareholders of DoD, who value or do not value defense, this elective and relative valuing translates to either a pro defense sentiment (to Congress) or con defense sentiment. Public opinion in general regulates politics, and as the Administration and Congress are influenced to support or withdraw support for defense funding it effects the business of defense.

DoD does not compete in a market for defense, that is no one else does defense, just DoD. The only way one could invoke a sense of competition is to one, internally compete the Services as independent units, or two, expand the scope globally and say DoD competes with the defense institutions of other nations. The point, DoD does not have the benefit of competition in a market to measure its performance and regulate change.<sup>56</sup>

DoD is not for profit. It generates services in response to uncertain demand. Services, by the way, that are expanding, such as Peacekeeping Operations, Peace Enforcement Operations, and Humanitarian Assistance. Again, the point here is the compelling metric of profitability (performance) is loss as a catalyst for change.

The cumulative effect of all of these missing performance indicators is DoD does not get compelling feedback. DoD does not penetrate or lose markets; it does not generate huge profits or losses. It has no "business" highs or lows to tell it directly how it is doing - nothing to

regulate future behavior. Yet, at the same time DoD has the ultimate responsibility (measure) to secure America and protect its citizens from enemies both foreign and domestic. In this vital business, coming close or being second is not an acceptable performance or market position. So, DoD has a monopoly, but a monopoly that may, on demand, have to compete with other nation's defense monopolies and win.

**DIFFERENT, BUT THE DIFFERENCE CAN BE OVERCOME**

The argument for the public sector being irrevocably different from the private sector is compelling. Nonetheless, various efforts are being made to attempt to bridge the gap between the two sectors. The focus has been on finding conceptual means to bridge the gap and find new ways to measure performance in the public sector. Two prominent efforts have been the establishment of the National Partnership for Reinventing Government, and the Government Performance and Results Act (GPRA) of 1993. Both of these focus on performance management and measurement.

One effort attempting to bridge the public-private performance gap is the work by Kathleen Monahan in *Balanced Measures*. In it she develops the following matrix (see table below), which develops equivalents between the private and public sector for shareholders, profitability and customers.<sup>57</sup>

<b>Private Sector</b>	<b>Public Sector</b>
Shareholder Value	Public Value
Profitability	Mission Achievement
Customer Loyalty	Public Trust

**TABLE 1. PERFORMANCE EQUIVALENTS (PRIVATE-TO-PUBLIC)**

Interpreting the table one can draw the following inferences for DoD. DoD does not own shares, but given that the public are shareholders in the business of defense, the public does develop a relative value judgment towards defense, which is subject to change, ostensibly based on DoD's performance. DoD does not generate profits, but how well it fulfills its various missions is a measure of public service (profitability). DoD does not have direct customers in the sense of having customers who voluntarily exchange money for services, choosing from amongst a host of providers, but customer loyalty towards DoD can be measured as public trust.

The GPRA was also developed in the vein of finding new ways to measure public sector performance. "The GPRA is the primary legislative framework through which (government) agencies are required to set strategic goals, measure performance, and report on the degree to

which goals were met."<sup>58</sup> In essence, it is hoped that GPRA will lead to better government, with the adoption of better practices, better measurements, leading to change and innovation.<sup>59</sup>

"Competition will not solve all our problems. But perhaps more than any other concept in this book, it holds the key that will unlock the bureaucratic gridlock that hamstrings so many public agencies."<sup>60</sup> Osborne and Gaebler in *Reinventing Government* in addition to the prior quote, make the following observation concerning monopolies and competition:

"Yet we know that monopoly in the private sector protects inefficiency and inhibits change. It is one of the enduring paradoxes of American ideology that we attack private monopolies so fervently but embrace public monopolies so warmly."<sup>61</sup>

It is not clear, and well outside the scope of this paper how one could ever have anything different than a monopoly in the business of national defense. The real challenge is despite DoD being the only service provider of defense, it must take on as many adaptive organizational attributes as it can and foster as much sense of competition as possible. The following advantages are ascribed to competition in the workplace:

- The most obvious advantage of competition is greater efficiency, more bang for the buck.
- Competition forces public (or private) monopolies to respond to the needs of their customers.
- Competition rewards innovation; monopoly stifles it.
- Competition boosts the pride and morale of public employees.<sup>62</sup>

To wrap up, the jury is out, the reader must judge, does the transformational, best practices, and new ways of doing things developed in business literature written within the context of the private sector apply to the public sector.

Change is difficult, on this we all can agree. Whether or not the transformational, best practices, and new ways of doing things developed in business literature apply fully to the public sector is not the key issue. The real challenge is to embrace as many of the change concepts as possible and fight to translate them into the organizational structure and culture of DoD, and hope they take root and begin to create real change.

## **CONCLUSION**

Without a doubt, DoD as a system needs a serious shock to compel real change, the revolutionary ends called for by Secretary Rumsfeld. Otherwise, DoD will continue its current state of defense reform with changes at the margins and hand wringing about change being too hard.<sup>63</sup> Therefore, an option which retains steady incremental change (the current on-going

defense reform efforts) with an eventual shock to the system afforded by a radical change event (most likely a Congressional reorganization overhaul directive) would appear the best course of action.

Timing will be a critical element for the best time to initiate a radical change mandate. The country right now and particularly DoD cannot afford to undertake a radical reorganization, given the crisis precipitated from the events of 11 September 2001.

However, there can be little doubt, if DoD were a business, it would be out of business. DoD is suffering from the fate of most monopolies, which is to become increasingly bureaucratic and develop an institutional inability to adapt to external changes.<sup>64</sup> Hence change, and that is major change will be required.

So what is needed, given that DoD as an organization is in trouble and badly in need of a change? The answer is to start over, or nearly so, and to make two fundamental changes. The first change, a radical one, and one that will need to come from the Congress is to fundamentally reengineer the organizational structure of DoD. The new structure needs to provide for far fewer levels of management than the current 17 levels within DoD today.<sup>65</sup> Additionally, the new structure needs to adopt the structural attributes of an organic design and replace the hierarchical pyramidal structure we are saddled with today.<sup>66</sup> The section on organic organizational attributes surveys many of the attributes, which may when adopted to DoD aid the transforming the organization into one optimized to exploit the information age.

The second change is to develop a translation of two fundamental business concepts into the "business" of DoD. The two concepts needing concept development are profit and market-share; DoD desperately needs these "bottom lines" to serve as unarguable metrics of relevance and performance for evaluation of its defense business efforts. The work begun in this area of finding compelling and meaningful metrics for the public sector by David Osborne and Ted Gaebler (*Reinventing Government*); and Kathleen E. Monahan (*Balanced Measures*) are efforts in the right direction. Additionally, the Government Performance and Results Act (GPRA) of 1993 is also a step in the right direction as it contributes to fostering accountability in an effort to instill a kind of organizational self directed competition.

In summary, the recommendation is to stay the course for now with Secretary Rumsfeld's Defense Reform program and then at a later date when the current terrorism containment crisis is abated direct radical change. Radical mandatory reorganization mandated by Congress coupled with the lessons, models and innovative business practices of the private sector will be the change impetus and framework required to transform DoD. Additionally, the guiding and compelling principles of profit and market-share (competition) should significantly reduce the

bureaucracy within DoD and develop the institution's ability to rapidly change and accelerate its decision cycle. What DoD will surely require for the future to stay relevant and responsive to a VUCA environment is change agility and the continuous ability to self organize and adapt as it exploits the challenges of the information age.

WORD COUNT = 9693

## ENDNOTES

<sup>1</sup> Donald H. Rumsfeld, "DoD Acquisition and Logistics Excellence Week Kickoff--Bureaucracy to Battlefield," speech, Pentagon, Washington D.C., 10 September 2001; available from <http://www.defenselink.mil/speeches/2001/s20010910-secdef.html>; Internet; accessed 16 September 2001.

<sup>2</sup> Although DoD as a business is not under threat of going out of business, gross inefficiencies may bring congressional scrutiny and possibly investigations. The Government Accounting Office (GAO) is one investigative arm of Congress that does look into government inefficiencies including those within DoD. There is even the potential for investigation derived "fixes" in the form of legislation to actually hinder reform in the long term. This occurs when Congress formulates fixes in the form of parochial constituency interests, which optimize a part of the defense business at the expense of the whole system.

<sup>3</sup> Michael Beer, "Research That Will Break The Code Of Change, The Role of Useful Normal Science and Usable Action Science, A Commentary on Van de Ven and Argyris," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 429-446.

<sup>4</sup> George W. Bush, "A Period Of Consequences," campaign speech, The Citadel, Charleston, South Carolina, 23 September 1999; available from <http://www.ransac.org/new-web-site/related/govt/testimony/bush-092399.html>; Internet; accessed 14 March 2002.

<sup>5</sup> Ibid.

<sup>6</sup> Rumsfeld, "DoD Acquisition and Logistics Excellence Week Kickoff--Bureaucracy to Battlefield."

<sup>7</sup> In conjunction with the shift from the Cold War environment into an environment characterized by great uncertainty and rapid change, a near parallel shift has been described in terms of the industrial age to the information age. The two characterizations go hand-in-hand the great uncertainty and rapid change environment and the information age. DoD needs to transform itself to adapt to both of these external realities.

<sup>8</sup> U.S. Department of Defense, Quadrennial Defense Review Report. (Washington, D.C.: U.S. Department of Defense), 30 September 2001, 49.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid., 50.

<sup>11</sup> Ibid., 51 and 52.

<sup>12</sup> Rumsfeld, "DoD Acquisition and Logistics Excellence Week Kickoff--Bureaucracy to Battlefield."

<sup>13</sup> U.S. Department of Defense, Annual Report to the President and the Congress. (Washington, D.C.: U.S. Department of Defense), 1998, 149-153; 1999, 147-150; and 2000, 137-141.

<sup>14</sup> William J. Clinton, A National Security Strategy For a Global Age (Washington, D.C.: The White House, December 2000), 3.

<sup>15</sup> Rumsfeld. "DoD Acquisition and Logistics Excellence Week Kickoff—Bureaucracy to Battlefield."

<sup>16</sup> Ibid. The speech details the following efforts as being underway or already accomplished: elimination of 31 of 72 acquisition-related advisory boards; budgeting based on realistic estimates; and people brought on board who have driven similar change in the private sector.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid. The Senior Executive Council includes, the Under Secretary of Defense (Acquisition, Technology, and Logistics), as well as the Service Secretaries (Army, Navy and Air Force). The Defense Business Board will bring in outside expertise from the private sector to improve the department's business practices.

<sup>21</sup> William S. Cohen, Defense Reform Initiative Report (Washington, D.C.: U.S. Department of Defense, November 1997), iii, and 17. The rhetoric is there. All the defense reform documents speak of the compelling need for fundamental change and reform within DoD in plain language. Examples of this language within the cited document are: "...there is no alternative to achieving fundamental reform in how the Defense Department conducts business;" additionally, "The time for further study and deliberation now has passed. We are at the point where we need to jump-start the reform process by committing to a series of initiatives that flow from the principles outlined above." What is lacking in DoD's past and present reform efforts is a compelling force external to the organization that threatens the survival of the organization and so motivates change at the level of passion required for a revolution. Once again, this author's thesis is the compelling external force of change for the private sector is profit and market-share. The public sector, herein the Department of Defense needs to create equivalent concepts (of profit and market-share), to serve as unarguable metrics of relevance and performance for evaluation of our defense business health. Basically, DoD (a business in the public sector) does not enjoy the benefits of market forces to compel fundamental competition (as exists within the private sector) and has been dying the slow death of a monopoly (that is, increasing irrelevance, gridlock, and inertia).

<sup>22</sup> Rumsfeld, "DoD Acquisition and Logistics Excellence Week Kickoff—Bureaucracy to Battlefield."

<sup>23</sup> Business Executives For National Security, "Special Report, Framing The Problem of PPBS," January 2000; available from <<http://www.bens.org/images/PPBS2000-framing.pdf>>; Internet; accessed 18 Feb 2002.

<sup>24</sup> This paper's approach remains to focus on the whole, that is the overall organizational structure and ethos of DoD needs to change, not just individual functions.

<sup>25</sup> Michael Beer, "Research That Will Break The Code Of Change, The Role of Useful Normal Science and Usable Action Science, A Commentary on Van de Ven and Argyris," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 435-446.

<sup>26</sup> Kenneth B. Johnson, Busting Bureaucracy (Homewood, ILL.: Business One Irwin, 1993), xvi-17. See also, Kim S. Cameron and Robert E. Quinn, Diagnosing and Changing Organizational Culture (Reading, MA: Addison-Wesley, 1999), 32-36, and 41.

<sup>27</sup> Max Weber, "Bureaucracy," in Critical Studies in Organization & Bureaucracy, ed. Frank Fischer and Carmen Sirianni, (Philadelphia: Temple University Press, 1984), 4-19.

<sup>28</sup> Robert M. Murphy, Managing Strategic Change: An Executive Overview Of Management, Monograph (Carlisle Barracks: U.S. Army War College, August 2000), 10. The illustration and table are both taken from Dr Murphy's monograph. The illustration has been embellished and the table has been altered in the last category. Additionally, the last organizational category characterization is interpreted from: Kim S. Cameron and Robert E. Quinn, Diagnosing and Changing Organizational Culture (Reading, MA: Addison-Wesley, 1999), 41.

<sup>29</sup> Business Executives For National Security, "Special Report, Framing The Problem of PPBS."

<sup>30</sup> Sumantra Ghoshal and Christopher A. Bartlett, "Rebuilding Behavioral Context, A Blueprint for Corporate Renewal," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 214.

<sup>31</sup> Ralph D. Stacey, Managing The Unknowable (San Francisco: Jossey-Bass, 1992), 175-180.

<sup>32</sup> Gareth Morgan, Imaginization (Newbury Park, CA: Sage, 1993), 164.

<sup>33</sup> Ibid., 63

<sup>34</sup> Ibid., 63-89.

<sup>35</sup> Andrew M. Pettigrew, "Linking Change Processes To Outcomes, A Commentary on Ghoshal, Bartlett, and Weick," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 256-257. See also, Karen Hopper Wruck, "Compensation, Incentives, And Organizational Change, Ideas and Evidence from Theory and Practice," in Breaking the Code Of Change, 285-286.

<sup>36</sup> Gareth Morgan, Imaginization, 74.

<sup>37</sup> In the interest of space, an excellent discussion advocating decentralization in the public sector could not be included, see: David Osborne and Ted Gaebler, Reinventing Government (New York: Plume, 1993), chapter 9, 250-279.

<sup>38</sup> Grant T. Hammond, The Mind of War (Washington DC: Smithsonian Institution Press, 2001), 4-5, and 190. This book examines the life, concepts, and strategic philosophy of John

Boyd. John Boyd was a career Air Force fighter pilot that developed his own highly individualist sense of what contributes to winning and losing. One of Boyd's fundamental contributions to strategy postulates a methodology describing how any entity irrespective of scale adapts to its environment; the OODA loop. The OODA loop stands for observation, orientation, decision, and action. The OODA loop describes a continuous heuristic process of trial and error, which over time advances the decision-maker (entity) within its environment. The organization that can pass the most relevant information the quickest, orient itself to its decision environment, make a decision and take action will be the winning organization. DoD to become a winning organization needs to adapt its organizational structure, processes and culture to allow rapid distribution of relevant information and distribution of decisions to decision makers and action takers at the point of attack (environmental challenge).

<sup>39</sup> Ralph D. Stacey, Managing The Unknowable, 80-100, see also 169-185.

<sup>40</sup> Terry Neill and Craig Mindrum, "Human Performance That Increases Business Performance, The Growth of Change Management and Its Role in Creating New Forms of Business Value," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 347.

<sup>41</sup> Sumantra Ghoshal and Christopher A. Bartlett, 200.

<sup>42</sup> Kim S. Cameron and Robert E. Quinn, Diagnosing and Changing Organizational Culture (Reading, MA: Addison-Wesley, 1999), 41.

<sup>43</sup> Ibid., 1-17.

<sup>44</sup> Peter M. Senge, The Fifth Discipline (New York: Doubleday, 1990), 7.

<sup>45</sup> Michael Beer, "Research That Will Break The Code Of Change, The Role of Useful Normal Science and Usable Action Science, A Commentary on Van de Ven and Argyris," in Breaking The Code Of Change, 433.

<sup>46</sup> Roger Martin, "Breaking The Code Of Change, Observations and Critique," in Breaking The Code Of Change, ed. Michael Beer and Nitin Nohria, (Boston: Harvard Business School Press, 2000), 459.

<sup>47</sup> Personal war story, I worked as the Branch Chief for the Theater Engagement Branch at EUCOM from March 1999 to June of 2001. During my tenure I was unable to convince the Joint Staff to modify the tasking for the requirement to develop a Theater Engagement Plan (TEP). The requirement was to formally reflect command planning for theater engagement for every program - every country (91) for a period of seven years. Most engagement programs had planning horizons of three to six months, beyond this horizon it was pure make believe. Nonetheless, repeated attempts to reason with the Joint Staff went to no avail. So, in my two years I produced two TEPs each of approximately 2,500 pages each (the size of three large city phone books), dutifully fulfilling the command's planning requirement. The point, it was a total waste of time, for the Joint Staff, for my branch, and for all the busy action officers I harassed over two years to get their data in. TEP had little to no value added, an almost pure example of staff work for staff sake. The TEPs were impossible in their mass for anyone to make sense of; a more sensible requirement would have focused on a strategic concept outlining generalized

intent for seven years, and a detailed plan for two years vice seven. This might have been a useful product - with some higher staff digestive potential (value added).

<sup>48</sup> Ralph D. Stacey, Managing The Unknowable, 176.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid., 177.

<sup>51</sup> Stephen R. Covey, The 7 Habits Of Highly Effective People (New York: Simon & Schuster, 1989), 255. This book was a popular self-help book of the 90s and addressed a methodology and philosophy for personal change. In the book Covey's fifth habit of the seven was: "seek first to be understand...then be understood." This habit deals with what Covey calls emphatic listening (the highest form in his taxonomy), and only after you truly understand the other point of view proceed to convey yours.

<sup>52</sup> Peter M. Senge, The Fifth Discipline (New York: Doubleday, 1990), 9-10, 24, and 240-249.

<sup>53</sup> Murphy, Managing Strategic Change: An Executive Overview Of Management, 17. The original work is by C. Argyris, Personality and Organization (New York: Harper and Row, 1957).

<sup>54</sup> It should be acknowledged that both the private and public sectors also can be compelled to change by legislation; that is, local, state or federal law can force the regulation of a given enterprise. In the case of DoD, the most radical and recent change event it has experienced is Goldwater - Nichols. This paper proposes that it is time for another Goldwater-Nichols like change event.

<sup>55</sup> For an expanded discussion on defining customers in the context of government see: David Osborne and Ted Gaebler, Reinventing Government (New York: Plume, 1992), 166-194.

<sup>56</sup> However, like most things the lack of profit metrics for DoD is not an absolute. One way in which DoD looks to emulate profitability is by directing government contractors to use "cost minimizing."

<sup>57</sup> Kathleen E. Monahan, Balanced Measures (Vienna, VA: Management Concepts, 2001), 25-26.

<sup>58</sup> Ibid., 3.

<sup>59</sup> Additionally, for the interested reader, Monahan develops a table that sets a balanced scorecard against an intangible assets monitor, both of which deal with measuring aspects of performance within the public sector, see page 7 in *Balanced Measures*.

<sup>60</sup> David Osborne and Ted Gaebler, Reinventing Government (New York: Plume, 1992), 79.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid., 80-84. All four of the bullets presented are from these pages.

<sup>63</sup> U.S. Department of Defense, Annual Report to the President and the Congress, 150, and 141. In both the 1999 report and the 2000 report in their respective chapters dealing with defense reform, the concluding sections both acknowledge that change is difficult while in the same breath intoning the urgency of the change.

<sup>64</sup> Johnson, xvii. Additionally, the Secretary's own words in his 10 September speech testify to the extent in which the bureaucracy at the Pentagon has created gridlock and an almost complete lack of ability to adapt to change and innovate. The Secretary's words: "In this building, despite this era of scarce resources taxed by mounting threats, money disappears into duplicative duties and bloated bureaucracy—not because of greed, but gridlock. Innovation is stifled—not by ill intent but by institutional inertia."

<sup>65</sup> Rumsfeld, "DoD Acquisition and Logistics Excellence Week Kickoff—Bureaucracy to Battlefield."

<sup>66</sup> Carl H. Builder, "Peering into the Future (The Changing National Enterprise)," lecture, Maxwell AFB, AL, Air Command and Staff College, 3 June 1997, cited with permission of Mr. Builder. The gist of Mr. Builder's presentation was that information used to be concentrated at the top of organizations, which created their power. Today, information is readily available and its power is being distributed. This new distribution of information and power is best understood as a network. Past organizational structures, which he related to tribes, markets, and hierarchies are outdated and outmoded. What this author is suggesting (using Builder's network construct as a departure point) as a potential model for reengineering the organizational structure of DoD is one that: redistributes responsibility and authority based on locating decisions dynamically within the network based on expertise and information. Looking at Figure 2 (this paper), this is captured in the power base characteristic; power and authority within an organic organizational design is determined by expertise not position (hierarchy).

## BIBLIOGRAPHY

- Beer, Michael, and Nitin Nohria, eds. Breaking The Code Of Change. Boston, MA: Harvard Business School Press, 2000.
- Builder, Carl H. "Peering into the Future (The Changing National Enterprise)." Lecture. Maxwell AFB, AL, Air Command and Staff College, 3 June 1997. Cited with permission of Mr. Builder.
- Bush, George W. "A Period Of Consequences," campaign speech, The Citadel, Charleston, South Carolina, 23 September 1999; available from <http://www.ransac.org/new-website/related/govt/testimony/bush-092399.html>; Internet; accessed 14 March 2002.
- Business Executives For National Security. "Special Report, Framing The Problem of PPBS," January 2000; available from <http://www.bens.org/images/PPBS2000-framing.pdf>; Internet; accessed 18 Feb 2002.
- Cameron, Kim S., and Robert E. Quinn. Diagnosing and Changing Organizational Culture. Reading, MA: Addison-Wesley, 1999.
- Clinton, William J. A National Security Strategy For a Global Age. Washington, D.C.: The White House, December 2000.
- Cohen, William S. Defense Reform Initiative Report. Washington, D.C.: U.S. Department of Defense, November 1997.
- Covey, Stephen R. The 7 Habits Of Highly Effective People. New York, NY: Simon & Schuster, 1989.
- Fischer, Frank and Carmen Sirianni, eds. Critical Studies in Organization & Bureaucracy. Philadelphia: Temple University Press, 1984.
- Hammond, Grant T. The Mind of War. Washington, DC: Smithsonian Institution Press, 2001.
- Johnson, Kenneth B. Busting Bureaucracy. Homewood, ILL.: Business One Irwin, 1993.
- Monahan, Kathleen E. Balanced Measures. Vienna, VA: Management Concepts, 2001.
- Morgan, Gareth. Imaginization. Newbury Park, CA: Sage, 1993.
- Murphy, Robert M. Managing Strategic Change: An Executive Overview Of Management. Monograph. Carlisle Barracks: U.S. Army War College, August 2000.
- Osborne, David and Ted Gaebler. Reinventing Government. New York, NY: Plume, 1993.
- Rumsfeld, Donald H. "DoD Acquisition and Logistics Excellence Week Kickoff—Bureaucracy to Battlefield," Speech. Pentagon, Washington D.C. 10 September 2001; available from <http://www.defenselink.mil/speeches/2001/s20010910-secdef.html>; Internet; accessed 16 September 2001.
- Senge, Peter M. The Fifth Discipline. New York, NY: Doubleday, 1990.

Stacey, Ralph D. Managing The Unknowable. San Francisco, CA: Jossey-Bass, 1992.

U.S. Department of Defense. Annual Report to the President and the Congress. Washington, D.C.: U.S. Department of Defense, 1998, 1999, and 2000.

U.S. Department of Defense. Quadrennial Defense Review Report. Washington, D.C.: U.S. Department of Defense, 30 September 2001.