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Before the

COMMITTEE ON  
ARMED SERVICES

## **UNITED STATES SENATE**

HEARING TO RECEIVE TESTIMONY ON IMPROVING STRATEGIC  
INTEGRATION AT THE DEPARTMENT OF DEFENSE

Tuesday, June 28, 2016

Washington, D.C.

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HEARING TO RECEIVE TESTIMONY ON IMPROVING STRATEGIC  
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Tuesday, June 28, 2016

U.S. Senate  
Committee on Armed Services  
Washington, D.C.

The committee met, pursuant to notice, at 9:32 a.m. in Room SH-216, Hart Senate Office Building, Hon. John McCain, chairman of the committee, presiding.

Committee Members Present: Senators McCain [presiding], Inhofe, Sessions, Ayotte, Fischer, Cotton, Rounds, Ernst, Tillis, Reed, McCaskill, Manchin, Shaheen, Gillibrand, Blumenthal, Donnelly, Hirono, Kaine, King, and Heinrich.

1           OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR  
2 FROM ARIZONA

3           Chairman McCain: Well, good morning. The committee  
4 meets this morning to receive testimony on improving  
5 strategic integration at the Department of Defense.

6           Last year, this committee conducted a series of 13  
7 hearings on defense reform, receiving testimony from many of  
8 our Nation's most respected and experienced national  
9 security leaders. We determined that perhaps the top  
10 organizational chairman -- challenge facing the Department  
11 of Defense is the subject of today's hearing. We included  
12 important provisions to address this a challenge -- this  
13 challenge in the National Defense Authorization Act for the  
14 Fiscal Year 2017, which was -- recently passed the Senate  
15 with 85 votes. Now, we've done all of this work on a  
16 bipartisan basis, in keeping with the best traditions of  
17 this committee.

18           We're honored to have a distinguished group of  
19 witnesses this morning who are prepared to help us build  
20 upon the committee's important work to date:

21           Jim Locher, distinguished Senior Fellow at the Joint  
22 Special Operations University, was the lead staffer on this  
23 committee who helped to bring Goldwater-Nichols into being.  
24 We've benefited yet again from his experience over the past  
25 year, and we're pleased to welcome him back today.

1 Jim, welcome back.

2 Dr. Amy Edmondson, Novartis Professor of Leadership and  
3 Management at the Harvard Business School, who has written  
4 eloquently and extensively on breakthroughs in  
5 organizational learning, leadership, and change.

6 And General Stanley McChrystal, former Commander of  
7 Joint Special Operations Command and Commander of U.S. and  
8 international forces in Afghanistan. He is now managing  
9 partner at the McChrystal Group and a leading expert on  
10 organizational reform from the battlefield to the boardroom.

11 As most of you know, this is General McChrystal's first  
12 congressional testimony since retiring from the military.

13 General, I know you've missed us.

14 [Laughter.]

15 Chairman McCain: So, on behalf of all of us --

16 [Laughter.]

17 Chairman McCain: -- so, on behalf of all of us, let me  
18 express this committee's gratitude and appreciation to you  
19 and your family for your decades of distinguished service  
20 and for your willingness to join us today. I'm pleased that  
21 we will benefit again from your wisdom and expertise.

22 As we have stressed from the start of this inquiry, our  
23 Nation is blessed by the many fine hardworking personnel,  
24 both military and civilian, in the Department of Defense.  
25 These are patriotic Americans who wake up every day to do

1 difficult jobs, often foregoing easier careers and more  
2 lucrative opportunities because they care about the mission  
3 of keeping America safe. And so many gave their all to it.  
4 Unfortunately, the organization in which they labor is not  
5 optimally structured to take full advantage of their  
6 talents.

7 In particular, previous witnesses before this committee  
8 have identified the following flaws in our defense  
9 organization: hierarchical planning and decisionmaking  
10 processes that too often result in lowest-common-denominator  
11 recommendations to senior leaders, what Michele Flournoy  
12 called "the tyranny of consensus"; misaligned bureaucratic  
13 incentives and a culture that too often rewards  
14 parochialism, inertia, risk avoidance, and the deferral of  
15 decisions; and layering of management structures in  
16 functional silos that too often result in decisions being  
17 forced to higher and higher levels of management. These and  
18 other organizational impediments do not only inhibit  
19 efficiency, they also pose an obstacle to greater  
20 effectiveness.

21 This is not the world of 30 years ago. America no  
22 longer has the margin for error that we once enjoyed. We no  
23 longer confront a single adversary, which an Industrial Age  
24 bureaucracy could manage. Instead, we face a series of  
25 global and enduring strategic competitions that all cut

1 across our defense organization, which is often aligned  
2 around functional issues, regional geography, and separate  
3 warfighting domains.

4       And yet, as multiple witnesses have testified here, the  
5 only officials at the Department of Defense with the  
6 authority to integrate these activities at a strategic level  
7 are the Secretary and the Deputy. In an organization as  
8 vast as the Pentagon, that is an impossible burden to put on  
9 two people, no matter how capable. We must face the  
10 uncomfortable fact that too often, in too many cases, our  
11 enemies are getting the better of us. It's not that they're  
12 better led or better equipped or better positioned to  
13 succeed, or in possession of better strategies. In fact,  
14 the opposite is true. The problem too often is that we are  
15 simply too slow -- too slow to adapt to changing  
16 circumstances, too slow to gain the initiative and maintain  
17 it, too slow to innovate, and too slow to do the vital work  
18 of strategic integration, marshaling the different  
19 functional elements of our defense organization to advance  
20 unified strategies and implementing them effectively.

21       These problems are not unique to the Department of  
22 Defense. Many organizations have adopted reforms to  
23 overcome similar challenges, especially in the private  
24 sector, but also in government, from the National  
25 Counterterrorism Center to General McChrystal's

1 transformation of the Joint -- excuse me -- of General  
2 McChrystal's transformation of the Joint Special Operations  
3 Command to similar reforms now unfolding at the National  
4 Security Agency and the CIA.

5 All of these efforts have one idea in common, the idea  
6 of cross-functional teams, or, in military terms, joint task  
7 forces. The premise is simple. To succeed against our  
8 present and future challenges, we need flatter, faster-  
9 moving, and more flexible organizations. We've found that  
10 an effective cross-functional team has a few key things in  
11 common. It is focused on a discrete priority mission, it  
12 includes members from every functional organization and  
13 bureaucracy that is necessary to achieving that mission, and  
14 it empowers a team leader to organize the team's efforts,  
15 build a collaborative culture, and provide clear  
16 accountability for results.

17 As a result, the NDAA would require the Secretary of  
18 Defense to create six cross-functional teams to address our  
19 highest-priority defense missions. A related provision  
20 would direct the Secretary to identify one combatant command  
21 and organize it around joint task force headquarters rather  
22 than service headquarters. The goals of both provisions are  
23 the same, to improve strategic integration.

24 Now, judging by the Department's histrionic response,  
25 you would think that we had eliminated parking at the

1 Pentagon. We've been attacked for micromanaging the  
2 Department, when this legislation is no more intrusive, and  
3 arguably less, than Goldwater-Nichols. We've been attacked  
4 for growing this bureaucracy, when the legislation would not  
5 add one billet to the Department. We've been attacked for  
6 not understanding cross-functional teams, when the examples  
7 of such teams that the Department gives in its defense are  
8 anything but. And, most bizarrely, we have been attacked  
9 for undermining the Secretary's authority, when the  
10 legislation would do the opposite. The Secretary would  
11 identify the missions of the teams, pick their leaders,  
12 approve their membership, and direct their efforts.

13       Though disappointing, this reaction is not surprising.  
14 Change is hard. And reforms that empower the Secretary and  
15 improve the mission at the expense of entrenched  
16 bureaucratic interests are often resisted. This is how it  
17 was with Goldwater-Nichols and other reforms. But, of all  
18 the things that Congress is criticized for nowadays, often  
19 legitimately, this committee, at its best, has consistently  
20 identified strategic problems facing the Department of  
21 Defense that it either could not or would not address on its  
22 own. And, when this committee has approached these problems  
23 seriously and rigorously, and proposed reforms on a  
24 bipartisan basis, even disruptive but necessary reforms,  
25 we've made the Department better in ways that it could not

1 do by itself. And, in the fullness of time, it has often  
2 come to celebrate these efforts. I'm confident that the  
3 same will be true of the reforms in this year's NDAA.

4 I thank our witnesses for helping us with their  
5 testimony today.

6 My -- I apologize for the length of my opening remarks,  
7 but I had to mention the visceral and emotional reaction  
8 that we're getting from these reforms from, particularly,  
9 the top levels of the bureaucracy at the Pentagon.

10 I thank you.

11 Senator Reed.

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1           STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE  
2 ISLAND

3           Senator Reed: Well, thank you very much, Mr. Chairman.  
4 I want to join you in welcoming our distinguished panel of  
5 witnesses.

6           Thank you all very much. You are uniquely qualified to  
7 discuss these proposals, given your vast expertise in so  
8 many different ways.

9           As the Chairman indicated, Jim Locher is a former  
10 committee staff member, was the principal author of the  
11 Goldwater-Nichols Act as well as the legislation that  
12 created Special Operations Command. And in the period since  
13 those seminal achievements, he has continued to study and  
14 document management issues and reform opportunities for the  
15 Department of Defense and for the national security  
16 interagency process.

17           We look forward to your testimony and thank you,  
18 already, Jim, for your advice and assistance as we've moved  
19 forward.

20           General Stan McChrystal has significant knowledge and  
21 experience in Defense Department management and  
22 decisionmaking processes from his service as Director of the  
23 Joint Staff, the Commander, Joint Special Operations Command  
24 in the battle against al Qaeda in Iraq, with courage and  
25 great personal example and leadership -- thank you -- and,

1 of course, Commander of Coalition Forces Afghanistan, and as  
2 a commander in the 504th Parachute Infantry Regiment. So,  
3 all of these things have given him the expertise needed for  
4 today's hearing. Since that time, as the Chairman has  
5 indicated, he has used his post-Active Duty service to apply  
6 these lessons in the context of other agencies, and teaching  
7 at Yale.

8 So, thank you very much, General McChrystal.

9 And finally, we're indebted to Professor Edmondson for  
10 agreeing to share with us her insights about the power of  
11 teams and what it takes to build and sustain them inside --  
12 over years of academic research at Harvard and reflected in  
13 many publications. I particularly have to thank you, and I  
14 think the committee does. Dr. Edmondson was informed last  
15 night that her plane was canceled, so she scrambled, grabbed  
16 her bag, and took off late last night so she could be here.

17 So, thank you, Dr. Edmondson, for this.

18 As the Chairman indicated, this is a very important  
19 hearing. And the Office of Secretary of Defense and  
20 Department of Defense as a whole is organized around  
21 differentiated functions, just like most other enterprises.  
22 Large-scale organizations have struggled, since the  
23 Industrial Revolution, to find ways to effectively integrate  
24 across these silos of functional experts. DOD's burden in  
25 this regard is heavy. Its ability to integrate horizontally

1 to create sound strategies and effectively execute missions  
2 acutely affects the national security.

3         During the same time as the Goldwater-Nichols Act was  
4 passed, in an effort to create jointness in the U.S.  
5 military, businesses around the world began to implement  
6 effective new methods for horizontal integration, methods  
7 that produced better outcomes in less time at lower levels  
8 of management. A principal innovation took the form of  
9 small empowered teams of experts from the functional  
10 components of an enterprise whose members were incentivized  
11 and rewarded for collaboratively behaving in the interests  
12 of the whole enterprise. These cross-functional teams  
13 ideally are the antithesis of committees or working groups  
14 whose members staunchly defend the narrow interests of their  
15 parent organizations. This teaming mechanism and the  
16 cultural changes necessary to support it has become highly  
17 developed in many organizations, and it's been widely  
18 adopted in the private sector.

19         Despite this long and broad experience, it still isn't  
20 easy. Even accomplished businesses that purposely pursue  
21 cross-boundary teaming often fail to do it right. But, when  
22 it is done correctly, the results can be remarkable. DOD  
23 and the government generally has not yet implemented such  
24 innovations. There are notable exceptions. General  
25 McChrystal has had success with cross-functional teams,

1 which has enabled agility and integrated operations across a  
2 large-scale enterprise in his operation in Iraq. And also,  
3 Secretary Gates, himself, created a series of special task  
4 forces to address critical issues when the Pentagon's  
5 standard processes failed him, task forces that closely  
6 aligned with classic cross-functional teams.

7 Furthermore, the Directors of both the CIA and the  
8 National Security Agency, with the guidance of the  
9 consultant group, McKinsey, have undertaken major  
10 organization reforms at their agencies that have cross-  
11 functional teams at their core.

12 At this time, Defense Department leadership has  
13 concerns with the committee's proposal which is set forth in  
14 Section 941 of Fiscal Year '17 National Defense  
15 Authorization Act. They have stated that the Department  
16 already uses cross-functional teams routinely and that the  
17 committee proposal constitutes micromanagement.

18 I understand that the Department is going to have  
19 concerns over any external directive for changing its  
20 management and decisionmaking processes. However, I think  
21 that many of their concerns may be from a misunderstanding  
22 of the intent and scope of the committee's provision 941. I  
23 believe that the committee and the Department have a shared  
24 goal, and the committee wishes to see the Department push  
25 the envelope for the teams it already uses, building upon

1 successful models of cross-functional teams that have been  
2 used in and outside of government. And I would hope that  
3 the committee and the Department can have a dialogue to find  
4 common ground on ways to maximize the effect of this  
5 proposal so that national security benefits from an  
6 efficient management tool will be derived by the Department  
7 of Defense.

8 I believe this is a -- hearing is an excellent first  
9 step in that dialogue, and I look forward to the witnesses'  
10 testimony. Thank you very much.

11 Thank you, Mr. Chairman.

12 Chairman McCain: Before I call our witnesses, since a  
13 quorum is now present, I ask the committee to consider the  
14 list of 1,676 pending military nominations, including this  
15 list of the nominations of General David L. Goldfein, USAF,  
16 to be General and Chief of Staff, United States Air Force;  
17 Lieutenant General Thomas D. Waldhauser, USMC, to be General  
18 and Commander, United States Africa Command; Lieutenant  
19 General Joseph L. Lengyel, Air National Guard, to be General  
20 and Chief of the National Guard Bureau.

21 Of these 1,676 nominations, 85 nominations are 3 days  
22 short of the committee's requirement that nominations be in  
23 committee for 7 days before we report them out. No  
24 objection has been raised. These nomination -- I recommend  
25 the committee waive the 7-day rule in order to permit the

1 confirmation nominations of these officers before the Senate  
2 goes out before the 4th of July recess. And I think there's  
3 one additional -- one additional that we may look at -- we  
4 may ask the committee later on.

5 Is there a motion to favorably report these 1,676  
6 military nominations?

7 Senator Reed: So moved.

8 Chairman McCain: Is there a second?

9 Senator Inhofe: Second.

10 Chairman McCain: All in favor, say aye.

11 [A chorus of ayes.]

12 Chairman McCain: The ayes have it.

13 Welcome, to the witnesses.

14 Dr. Edmondson, we'll begin with you. Thank you for  
15 appearing today.

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1           STATEMENT OF AMY C. EDMONDSON, NOVARTIS PROFESSOR OF  
2 LEADERSHIP AND MANAGEMENT, HARVARD BUSINESS SCHOOL

3           Dr. Edmondson: Thank you so much for the opportunity  
4 to offer my perspective on the use of cross-functional  
5 teams. And, of course, I am coming largely, but not  
6 exclusively, from research in the business world. What I  
7 hope to do is briefly explain the extensive use of teams in  
8 business, why teams are considered a necessity for success  
9 in highly complex, fast-paced work; and, second, I want to  
10 explain the requirements for success of such teams, which  
11 are not to be taken for granted; third, I offer some results  
12 of successful cross-boundary collaboration; and finally, a  
13 quick assessment of the approach described in Section 941.

14           So, first, the use of teams in business organizations  
15 is undeniably widespread. Fast-moving global markets,  
16 disruptive technologies, and so forth, have forced  
17 technologies to find new ways to innovate in recent years,  
18 and teams play a central role in such innovation. But,  
19 teams are not new in the business world. In fact, since the  
20 1980s, the implementation of teams has been recognized by  
21 both business leaders and business academics as a vital  
22 strategy. Most workplaces today find that almost 90 percent  
23 of people working in global corporations are spending at  
24 least half of their time in some kind of team or another.  
25 Whether it's production, sales, new product development,

1 systems innovations, or strategy formation, work is  
2 increasingly carried out in teams.

3 I think there are two basic motivations explaining the  
4 pervasiveness of teams:

5 First, and probably most important, certain activities  
6 simply cannot be accomplished by individuals working in  
7 separate functional -- in silos. This is because they  
8 simply require integration of disparate information,  
9 expertise, or interests, and hence, require realtime  
10 interaction.

11 Second, research shows that participating in well-  
12 managed teams promotes buy-in and commitment. In large,  
13 complex organizations, people often feel a deep sense of  
14 loyalty to their team, and this loyalty binds them to the  
15 organizations. When they have the chance to work on an  
16 effective team, doing meaningful work on behalf of the  
17 organization, it leads to all sorts of lateral benefits,  
18 like engagement and commitment, in addition to high  
19 performance.

20 And because it's central to my own research, I'll add  
21 that teams are a key mechanism for organizational learning.  
22 Analyzing existing processes and designing and implementing  
23 strategies and changes is fundamentally a team sport. It  
24 takes multiple perspectives to get it right. This is  
25 somewhat akin to the Army's after-action reviews, which, by

1 the way, are widely celebrated by people in my field.

2 Change, of course, means anything from small process  
3 improvements to dramatic organizational transformations,  
4 such as those that allow iconic American companies, like IBM  
5 and Ford, to recover and thrive after extreme industry  
6 turmoil threatened their very existence, while other  
7 industrial giants, like DEC or American Motors, disappear  
8 into history.

9 Now, I think it's important to note that teams come in  
10 many forms. I think the most widely celebrated and noted  
11 are self-managed teams in manufacturing, in service,  
12 leadership teams at the very top of organizations, and, of  
13 course, cross-functional teams, which are the engines of  
14 innovation.

15 So, consistent with Section 941, I'm going to focus on  
16 cross-functional teams. These are teams that bring  
17 individuals together from different organizational units, or  
18 functions, to share responsibility for a specific  
19 deliverable. It's done because multiple areas of expertise  
20 or interests must be considered simultaneously in doing the  
21 work or solving the problem.

22 The clearest example of such work in business is new  
23 product development. And several decades ago, new product  
24 development was accomplished by people in separate functions  
25 -- sales, marketing, design, engineering, manufacturing,

1 accounting, and so on -- each completing their respective  
2 tasks, and then effectively throwing them over the wall to  
3 another function to take over. Without back-and-forth  
4 discussion across expert fields, this led to poor-quality  
5 products and very long cycle times, because the complex  
6 problems of design, manufacturing, distribution, cost  
7 containment, and so on, can't be solved -- certainly can't  
8 be solved in innovative and effective ways without that  
9 realtime interaction.

10         So, consider what happened when the U.S. automotive  
11 industry encountered steep competition from leading Japanese  
12 car manufacturers in the 1980s. The Japanese advantages  
13 were based, in part, on faster and higher-quality product  
14 development processes. Ultimately, this sparked -- not  
15 quickly enough, mind you, but this sparked a dramatic  
16 revolution in product development in the U.S. carmakers in  
17 the 1990s, when cross-functional team approaches were  
18 implemented. As documented by some of my colleagues at  
19 Harvard Business School, cross-functional teams dramatically  
20 improved product innovation and development speed in the  
21 U.S. automotive industry, and brought them back into the  
22 game.

23         Today, to meet market expectations for time and  
24 quality, cross-functional teams are simply considered a  
25 necessity in most industries. No successful company, for

1 example, would consider returning to the functional  
2 hierarchy for new product development. But, cross-  
3 disciplinary teams have also improved performance in patient  
4 care, supply-chain management, airline service, to name just  
5 a few arenas that have been extensively studied.

6 Yet, not every business task requires a team approach.  
7 For some activities, individuals, in fact, can work more  
8 effectively in -- alone or alongside others in shared silos,  
9 which some people prefer to call "cylinders of excellence."  
10 Functional hierarchies work well when problems are well  
11 understood and activities are routine.

12 As General McChrystal will describe, I am confident,  
13 these management systems were designed based on a principle  
14 that managers at the top had all the information they needed  
15 to tell people what to do, when to do it, and what standards  
16 of performance were acceptable. This principle no longer  
17 holds when leaders lack the full expertise and information  
18 to design and control the work or when situations are moving  
19 too fast, and faster than communication can flow up and down  
20 the command-and-control structures.

21 So, for problems that are novel or need input or  
22 cooperation from multiple parts of the organization, it  
23 calls for a team approach. And so, this is why people in my  
24 field increasingly call a company's ability to form and lead  
25 high-performance teams absolutely critical to its long-term

1 success.

2 Now, my second point is more sobering, and briefer.  
3 Merely forming teams is not enough. Many teams fail because  
4 the necessary conditions for their success have not been  
5 implemented. These conditions are not outlandish or  
6 complicated. Rather, they will strike most of you as common  
7 sense. Yet, unless leaders invest the time and effort in  
8 setting teams up for success, the conditions will not be  
9 present.

10 First, teams must be designed well. This means they  
11 must be given a clear, engaging direction for their work.  
12 They must have appropriate composition, the right mix and  
13 size of skills for the work. They have to have access to  
14 resources and information, and leadership and coaching to  
15 help them manage the process.

16 Second, teams must have norms and processes and  
17 attitudes that enable teamwork. My own research emphasizes  
18 the impact of team-leader actions on this. For instance, in  
19 studies in several industries, I found that a climate of  
20 psychological safety is critical. Psychological safety  
21 means respect and trust, and basically an expectation that  
22 candor is welcomed. Psychological safety, however, matter  
23 most for teams with diverse backgrounds, whether that's  
24 functions, profession, status, nationality, and so forth.  
25 And it matters especially in teams that are working on

1 innovation projects.

2 A widely publicized recent study at Google found that  
3 psychological safety was, quote, "far and away the most  
4 important of five dynamics in explaining team performance."  
5 The other four, by the way, were team-member dependability,  
6 structure and clarity of roles and goals, meaning -- meaning  
7 that the people saw the work they did as personally  
8 important -- and impact -- people believe that the work they  
9 were doing mattered for the organization and, indeed, for  
10 the world.

11 In this Google study, as in many others, a major factor  
12 in whether teams had psychological safety was leader  
13 behavior. For teams to work, the organization's culture  
14 must be supportive of collaboration and teamwork. And, in  
15 my experience, organizations that try to change the culture  
16 by focusing on the culture often come up short. Rather, to  
17 create a collaborative culture, the key is to identify  
18 important work that requires collaboration to be  
19 accomplished, assign strong individual contributors to a  
20 team with a clear, engaging directive, and give them support  
21 and resources. It is through doing that kind of work in a  
22 new way that a new culture starts to take shape around it.  
23 In my view, shifting the work drives culture change, rather  
24 than the other way around.

25 Cross-functional teams will no doubt be intended

1 with preexisting functional structures, especially at first.  
2 This is exactly why it should be done. A part of their job  
3 is to force the organization to make changes in how things  
4 get done, and it can work well if the teams are supported  
5 from the top and if they're framed as a way to help educate  
6 and shift the organization from its current to its new  
7 state. This may sound like a lot of work, and it is, but  
8 it's good work, and it's -- when it's done well, the results  
9 are worth the effort. It's not just the occasional wild new  
10 product development success that shows what can happen when  
11 a group of people work well together across boundaries to  
12 overcome obstacles.

13         So, my third task is to briefly describe such successes  
14 with the intent to tempt you to follow in their footsteps.  
15 The rescue of 33 miners in Chile suddenly and profoundly  
16 trapped between 2,000 -- beneath 2,000 feet of solid rock,  
17 following an explosion and collapse of part of the mountain,  
18 was one such example. Considered absolutely impossible at  
19 the outset, the rescue succeeded because of astonishingly  
20 effective and unusual collaboration across diverse experts.  
21 For 70 days, people from different organizations, sectors,  
22 industries, and nations worked together to innovate on the  
23 fly, learning fast and furiously, mostly from failure, as  
24 they generated and tested new ideas. Reflecting on the  
25 details of that rescue as -- which I studied extensively, it

1 becomes stunningly clear that a top-down command-and-control  
2 approach would have failed utterly.

3       What was required, facing the unprecedented scale of  
4 the disaster, was cross-boundary teaming, multiple temporary  
5 teams of people working on different types of problems,  
6 coordinating across these teams, as needed. It also  
7 required remarkably effective leadership at the level of the  
8 individual teams and at the very top of the organization.

9       The leader of the rescue operation, Andre Sougarret,  
10 came from Codelco, the state-owned copper mining company.  
11 He was invited by Chile's President, Sebastian Pinera, to  
12 help. Sougarret is technically brilliant, but, more  
13 importantly, he has astonishing organizational and  
14 interpersonal skills, and he knew how to lead complex  
15 teaming.

16       In the far less dramatic context of business, companies  
17 like Cisco and Google view cross-disciplinary teams as  
18 critical to their success, to shorten product life cycles,  
19 so forth. And the remarkable business turnaround at Nissan  
20 in the early 2000s from the brink of bankruptcy to renewed  
21 market leadership is one of the best examples I know of how  
22 a very small number of cross-functional teams working with  
23 clear direction from the top can accomplish remarkable  
24 business results.

25       Very specifically, CEO Carlos Ghosn formed nine cross-

1 functional teams early in his tenure. Each was asked to  
2 address a specific organizational and business problem. The  
3 teams were composed of middle managers and experts from  
4 different functions. Each was headed by a team leader, and  
5 each had direct access to two senior executives for  
6 direction, feedback, resources, and more. Each was  
7 challenged to come up with a specific proposal supported by  
8 clearly demonstrable financial impact. They worked  
9 tirelessly for months, and they succeeded beyond anyone's  
10 expectations, except perhaps Ghosn's. Team members reported  
11 the experience as exhausting, but rewarding and meaningful.  
12 Within 2 years, the organization was on its way to recovery,  
13 with impressive market and financial success.

14       Lastly, I briefly comment on the recommendations in  
15 Section 941, which struck me as highly reasonable and  
16 arguably overdue. Several of the objectives were -- are  
17 particularly admirable and consistent with current best  
18 practice on the use of cross-functional teams in business.  
19 Notably, the desire to integrate expertise and capacities  
20 for effective and efficient achievement of Department  
21 missions, and to enable the Department to focus on critical  
22 missions that span multiple functional issues to frame  
23 competing and alternative courses of actions, and to make  
24 clear and effective strategic choices in a timely manner to  
25 achieve success.

1 I do agree that, if well implemented, cross-functional  
2 teams could help the Department to anticipate, adapt, and  
3 innovate rapidly to changes in the threats facing the United  
4 States, and to exploit the opportunities to counter such  
5 threats offered by technological and organizational  
6 advances. It's also reassuring that the Section recognizes  
7 impediments, such as sequential hierarchical planning and  
8 decisionmaking processes oriented around functional and  
9 bureaucratic structures, and more. With awareness of these  
10 impediments, I think progress is far more likely through  
11 leaders taking precautions to plan and educate others.

12 In closing, great leaders in both business and  
13 government recognize the complexity and uncertainty in which  
14 their organizations are forced to operate today. It's their  
15 job to bring the organizational structures and cultures  
16 along so that they, too, can recognize and thrive in this  
17 new world. Teams are, by no means, a panacea; but, when  
18 well designed, well led, and motivated by the greater good,  
19 the results can be awe-inspiring.

20 I hope that this brief perspective from a management  
21 researcher adds something of value to the discussion. And  
22 it's an honor for me to offer my insights in the service of  
23 this effort.

24 So, thank you.

25 [The prepared statement of Dr. Edmondson follows:]

1 Chairman McCain: Thank you very much.

2 Before we continue, there's one additional nomination  
3 to be added to the military nominations. And if there's  
4 objection -- without objection, so ordered.

5 General McChrystal, welcome back before the committee.

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1           STATEMENT OF GENERAL STANLEY A. McCHRYSTAL, USA  
2           (RET.), MANAGING PARTNER, McCHRYSTAL GROUP

3           General McChrystal: Thank you, sir. Chairman McCain,  
4           Ranking Member Reed, members of the committee, probably not  
5           surprisingly, I've slept very soundly for the last few  
6           years.

7           [Laughter.]

8           General McChrystal: But, I woke up this morning, about  
9           3:00 in the morning, bathed in sweat, and I sat up suddenly,  
10          and my wife, Andy, reached over, and she grabbed me, and she  
11          says, "What's wrong?" I said, "I'm having a nightmare. I  
12          think I've got to go testify in front of the Senate Armed  
13          Services Committee."

14          [Laughter.]

15          General McChrystal: But, thanks for having me here  
16          today. I really appreciate the opportunity to discuss the  
17          potential value of cross-functional teams to the Department  
18          of Defense. I believe they offer great potential for the  
19          Department to cope effectively for what I think is a  
20          dramatically more complex operating environment that it  
21          currently faces, and it will face increasingly in the  
22          future.

23          As background, my experiences on the Joint Staff and in  
24          both Afghanistan and Iraq led me to conclude that we  
25          uniformly move forward with the best of intentions and often

1 develop a potentially successful strategy, but encounter  
2 structural, institutional, and cultural obstacles to  
3 achieving the collaboration and synergy necessary to  
4 prosecute those policies and strategies effectively. This  
5 is not a new problem. Robert Komer's 1972 narrative on  
6 Vietnam, entitled "Bureaucracy Does Its Thing," argued that,  
7 "Independent of the wisdom or folly of our strategy,  
8 America's inability to effectively execute largely  
9 preordained failure." I reread his words in 2009, when I  
10 was in Afghanistan, and it felt like he was writing from  
11 Kabul.

12       It's not a lack of competence, courage, or commitment.  
13 We've honed a force of seasoned professionals, peerless in  
14 the mechanics of combat. But, Clausewitz reminded me that,  
15 at its heart, war is politics, and there's far more to  
16 achieving victory than tactical skill. We simply cannot  
17 forge the multiple components of our national power together  
18 into the kind of commitment -- or teamwork needed.

19       Cross-functional teams are not the panacea for all the  
20 challenges of national security, but they represent an  
21 opportunity for fundamental change that should not be  
22 ignored. My belief in the power of these cross-functional  
23 teams was strongly reinforced when, in 2003, I took command  
24 of the Joint Special Operations Command, probably the best  
25 Special Operations force ever fielded. On paper, we had

1 everything we needed to succeed -- quality people, generous  
2 resourcing, and aggressive, thoughtful strategies. And yet,  
3 in Iraq, we were losing. Designed to conduct carefully  
4 planned raids against targets that had been exhaustively  
5 studied, our force was almost elegant in its precision,  
6 carefully crafted to combat traditional target sets.

7 But, 2003's al Qaeda in Iraq was fundamentally  
8 different from its namesake, Osama bin Laden's 1988  
9 creation. Leveraging information technology to achieve a  
10 level of organic adaptability, they reflected  
11 characteristics, attributes, and capabilities never before  
12 seen in a terrorist organization. And against this  
13 constantly changing enemy, we found our insular collection  
14 of exquisitely honed skills unequal to the task. We were  
15 impressively capable for a war different from that which we  
16 found ourselves fighting. To win, we had to change.

17 So, we changed the way we did business. Traditionally  
18 built around a culture of secrecy, we aggressively shared  
19 information, delegated authority to more junior commanders,  
20 invited liaisons from other departments and agencies into  
21 our force, and formed a range of cross-functional teams.  
22 Together, these efforts enabled us to harness all the  
23 resources of the enterprise in support of our strategy.

24 But, it's important to make a small caveat. Much of  
25 the historical attention given to this evolution is placed

1 on the procedural changes I just described. You'll often  
2 hear it said that we became a network to defeat a network.  
3 That's a half-truth. It implies we threw away the  
4 hierarchy, which we did not. Many think there's a binary  
5 choice in today's world: be a stable, but slow, hierarchy  
6 or an agile, but less controllable, network. We actually  
7 became a hybrid of both models. We retained the stability  
8 of the hierarchy, but moved with the speed of a network,  
9 when needed. Cross-functional teams enabled that.

10 The cross-functional teams that we built during this  
11 time accomplished this feat by lowering the cultural and  
12 institutional barriers that had hampered us during the early  
13 days of the war. Removing these barriers enabled those  
14 teams to push information, share critical assets, such as  
15 air support, and, most importantly, built trust. This trust  
16 led to a common purpose that has historically eluded larger  
17 hierarchical organizations. The combination of trust and  
18 common purpose permeated everything we did as an  
19 organization. Information and asset-sharing would not have  
20 been possible without the knowledge that partners' forces  
21 were working toward the same goal and committed to the same  
22 fight. Interagency partners would not have shared  
23 information and resources if they did not trust our  
24 operators and analysts, and also known that we were all  
25 after the same goal. Trust and common purpose were the

1 foundation upon which we could experiment with new  
2 processes. The result was the evolution of an elite  
3 tactical command into a networked, adaptable team of teams  
4 capable of strategic effect.

5         Since leaving the military, I've worked with industry  
6 leaders, many of whom have found themselves in complex  
7 environments that have silently overwhelmed their  
8 traditional ways of operating. Twentieth-century business  
9 practices, famously articulated by Frederick Winslow Taylor  
10 in "The Principles of Scientific Management" that relied on  
11 process optimization and workforce efficiency, are simply no  
12 longer effective. When Taylor is -- while Taylorism seems  
13 an antiquated relic of the Industrial Age, effects of this  
14 school of thinking have been surprisingly pervasive and  
15 insidious. While there have been some challenges to  
16 Taylorism and its precepts, the central belief that  
17 effective enterprise is a function of efficiency and the  
18 role of management is to provide directions on how best to  
19 advance this enterprise has been, until recently, relatively  
20 unchallenged. And, quite frankly, Mr. Chairman, this  
21 approach has worked to varying degrees in a complicated  
22 world.

23         But, the complication has given way to the complex.  
24 The environment we exist in today is radically different  
25 from that of the 20th century. Mr. Chairman, members of the

1 committee, it's worth spending a bit of time on the  
2 significance of operating in a complex environment, because  
3 we've entered into an age and an environment for which we  
4 are dramatically under-prepared.

5 We're used to operating in an environment where we  
6 expect that our actions will have a predictable and  
7 consistent effect. We no longer live in that world. In  
8 today's complex ecosystem, events are driven by causes that  
9 are so numerous, so intertwined that they elude our  
10 traditional attempts for prediction and planning.  
11 Transformation is essential to survival.

12 I've spent the last 5 years witnessing these kinds of  
13 transformations in the private sector, transformations akin  
14 to those that I saw with the Joint Special Operations  
15 Command. But, these transformations begin with a choice.  
16 Organizations that effectively adapt to complexity make the  
17 conscious decision to assess their business and workforce  
18 against four capabilities, and, in my opinion, define  
19 adaptable teams: trust, common purpose, shared  
20 consciousness, and empowered execution. Only when they make  
21 the choice to honestly assess themselves against these  
22 criteria can they set the foundation for structural,  
23 institutional, and cultural change.

24 Before any procedural or structural effects can be  
25 taken, managers that have historically issued directives

1 have to transform themselves into leaders that empower their  
2 workforce. No longer are they managers of efficiency;  
3 rather, they have to learn how to trust their employees,  
4 build trust among their employees, and enable their  
5 workforce, and set the conditions for their success. These  
6 efforts, when coupled with continued leadership and  
7 workforce training, result in an adaptable, resilient  
8 organization and business that has the ability to harness  
9 all the resources of the enterprise in support of a  
10 strategy. In essence, those that succeed in this  
11 transformation have invested in a movement away from a  
12 command structure to one defined by teams.

13 We've silently entered into a world of complexity, but  
14 have mired ourselves in a legacy approach that is no longer  
15 effective in affecting desired change. Many societal  
16 institutions have not evolved to adapt to this evolution.  
17 The Department of Defense, in particular, has responded with  
18 ever-increasing bureaucracy and procedures. I've seen, time  
19 and again, that additional policies and guidelines will not  
20 lead us to victory; rather, it's time to build the teams we  
21 need that can adapt to ever-increasing complexity. The  
22 willingness to implement these changes from senior  
23 leadership will have a -- will determine success from  
24 failure in the years ahead.

25 Thank you.

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[The prepared statement of General McChrystal follows:]

1 Chairman McCain: A very strong and very informative  
2 statement, General, based on many years of experience. And  
3 we thank you.

4 Mr. Locher, for the benefit of my colleagues, once  
5 served as staff director of this committee and was one of  
6 the key persons in the framing and passage of Goldwater-  
7 Nichols. And he and I were together in the Coolidge  
8 administration.

9 [Laughter.]

10 Chairman McCain: Go ahead. Welcome back, Mr. Locher.

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STATEMENT OF HON. JAMES R. LOCHER III, DISTINGUISHED  
SENIOR FELLOW, JOINT SPECIAL OPERATIONS UNIVERSITY

Mr. Locher: Thank you, Mr. Chairman. I'm delighted to be here for this important hearing.

Mr. Chairman, I commend you and Senator Reed for your bold leadership on Section 941. If enacted, this provision would initiate a long overdue revolution in defense organization. As with all major change efforts, legislative approval and Pentagon implementation will not be easy.

Many similarities exist between the Goldwater-Nichols Act and Section 941. In both cases, decades of evidence showed the need for fundamental organizational changes. Today, as in 1986, the Pentagon bureaucracy is in denial about its organizational defects, and is actively resisting congressional efforts. Just like in 1986, this committee needs to overrule this predictable initial response from the defense bureaucracy, work directly with Pentagon top leaders, who should be able to see the merits of this provision, press ahead with Section 941, and revitalize the Pentagon.

The committee's 13 hearings last fall revealed many organizational problems hampering Pentagon performance. Section 941 addresses four of these problems:

First, the rigid functional structure of the Pentagon

1 which hampers collaboration, limits a focus on missions and  
2 results, demands more people and more management levels,  
3 resists new ideas, and sub-optimizes decisions. The  
4 Pentagon's nearly exclusive reliance on functional structure  
5 denies an ability to handle the complexity and pace of  
6 today's defense challenges.

7         The second problem, Mr. Chairman, involves processes,  
8 such as the planning, programming, budget, and execution  
9 system. Pentagon processes are sequential, stove-piped,  
10 consensus-driven, and Industrial Age. The Pentagon's  
11 bureaucratic culture and its functional orientation have  
12 shaped the design of these ineffective processes.

13         The third problem centers on weak civilian leadership  
14 traditions. The Office of the Secretary of Defense has  
15 given insufficient attention to leadership tasks and  
16 leadership development. The emphasis has been on technical  
17 and functional skills, not leadership skills.

18         The fourth problem arises from the Pentagon's culture,  
19 which is too rule-oriented, bureaucratic, risk-averse in  
20 decisionmaking, and competitive among components. Although  
21 the Pentagon's culture is typical of most public-sector  
22 organizations, it is misaligned with what is required for  
23 effective performance in today's complex, fast-changing  
24 security environment.

25         Some of the organizational problems were identified at

1 the time of the Goldwater-Nichols Act, quite a while ago.  
2 The Senate Armed Services Committee staff study observed,  
3 and I quote, "Lost in the functional diffusion of the  
4 current Department of Defense organization is a focus on the  
5 central strategic objectives and missions of the Department  
6 of Defense." There have been efforts between Goldwater-  
7 Nichols and now to create cross-functional teams in the  
8 Department of Defense. Secretary William Perry tried so in  
9 1995, and Deputy Secretary of Defense -- Deputy Secretary  
10 Gordon England, in 2006, sought to create these cross-  
11 functional teams, but did not succeed.

12 In his testimony before the committee and his recent  
13 book, "A Passion for Leadership," Secretary Robert Gates  
14 registered his frustration with the bureaucratic hierarchy,  
15 its lack of lateral communications, and its consensus  
16 decisionmaking. Gates observed that the only way he could  
17 get things done was to create special multidisciplinary task  
18 forces equivalent to cross-functional teams. He related,  
19 and I quote, "In every senior position I held, I made  
20 extensive use of task forces to develop options,  
21 recommendations, and specific plans for implementation. I  
22 relied on such ad hoc groups to effect change instead of  
23 using existing bureaucratic structures, because asking the  
24 regular bureaucratic hierarchy almost never provides bold  
25 options or recommendations that do more than nibble at the

1 status quo."

2 Secretary Gates used crosscutting task forces, and I  
3 quote, "because so many different elements of the Pentagon  
4 were involved, and because they were," in his words,  
5 "immensely useful, indeed crucial." Significantly, in his  
6 testimony last October, Secretary Gates concluded that  
7 periodic intervention by task forces with the intense  
8 personal involvement of the Secretary was not, to use his  
9 word, "sustainable." He expressed regret that an  
10 institutionalized solution to this problem was not found  
11 before he departed the Pentagon.

12 Mr. Chairman, Section 941 provides the institutional  
13 fix that Secretary Gates sought. Four of the five major  
14 elements of Section 941 are tightly linked to the Pentagon  
15 organizational problems I described. The other, and the one  
16 that appears first in Section 941, is -- requires an  
17 organizational strategy, an overarching blueprint to guide  
18 the four other elements and all other required  
19 organizational changes.

20 The second element of Section 941 would require the  
21 Secretary of Defense to establish cross-functional teams to  
22 manage major missions and other priority outputs that are  
23 intrinsically cross-functional. These mission teams must be  
24 the centerpiece of any plan for improving Pentagon  
25 performance.

1           The third element of Section 941 would require actions  
2 to begin to shape an organizational culture that is  
3 collaborative, team-oriented, results-oriented, and  
4 innovative. Culture is so important and difficult to  
5 change, it requires a persistent leadership emphasis and  
6 proper incentives for the rank-and-file.

7           The fourth element would prescribe training and  
8 personnel incentives to support these new approaches. Among  
9 its prescriptions, this element would require completion of  
10 a course of instruction in leadership, modern organizational  
11 practice, collaboration, and functioning of mission teams  
12 for Senate-confirmed officials in the Department of Defense.

13           The fifth element would require the Secretary of  
14 Defense to take appropriate action 1 year after his or her  
15 appointment to simplify OSD's structure and processes. Once  
16 it is clearly established that empowered mission teams will  
17 be responsible for cross-functional work under the close  
18 supervision of the Department's top leadership, it should be  
19 much easier to identify unnecessary and duplicative  
20 organizational structures and ineffective crosscutting  
21 teams.

22           As I mentioned, Mr. Chairman, the Pentagon has not yet  
23 endorsed the opportunity afforded by Section 941. To date,  
24 the administration alleges that this provision is overly  
25 prescriptive and would undermine the authority of the

1 Secretary, add bureaucracy, and confuse lines of  
2 responsibilities. These concerns are entirely misplaced and  
3 suggest a lack of understanding of collaboration and teaming  
4 concepts or a lack of understanding of the intent of Section  
5 941. If Section 941's prescriptions were faithfully  
6 implemented, they would empower the Secretary, streamline  
7 bureaucracy, and clarify responsibility for cross-functional  
8 integration.

9 Organizations cannot normally reform themselves. The  
10 Pentagon has repeatedly demonstrated its inability to  
11 undertake organizational change, even when evidence of the  
12 need for change is compelling. As Secretary Gates and other  
13 Pentagon leaders discovered, they could occasionally  
14 override bureaucratic norms, but they could not reform the  
15 institution for lasting improvements in performance.

16 Mr. Chairman, given the Pentagon's longstanding  
17 inability to correct its organizational defects, Congress  
18 would be fully justified, even obligated, just as it was in  
19 the Goldwater-Nichols Act, to use its constitutional powers  
20 to make rules for the government in regulation of the land  
21 and naval forces. Congress has a right to demand that the  
22 Department of Defense adopt 21st-century organizational  
23 practices, that it have an organizational strategy, that it  
24 employ cross-functional teams for cross-functional missions  
25 and work, that it have an organizational culture aligned

1 with operating requirements, that it provide proper training  
2 and incentives, and that it employ simplified structure and  
3 processes.

4 Section 941 contains the right ideas to launch the  
5 Pentagon on the use of cross-boundary collaboration. It  
6 provides better and faster ways of integrating expertise and  
7 making decisions that are imperative in today's complex,  
8 fast-paced security environment. It also finds the right  
9 balance between congressional mandate and freedom of action  
10 for the Secretary of Defense.

11 In conclusion, Mr. Chairman, I congratulate the  
12 committee on this historic initiative. This is precisely  
13 the sort of well-researched, well-grounded, empirically  
14 justified intervention by Congress that is needed from time  
15 to time. And, in due time, it will be widely admired for  
16 its impact.

17 The transformational changes envisioned in Section 941  
18 would require inspired, committed leadership by senior  
19 Pentagon officials, and vigorous oversight by Congress.  
20 However, once instituted, pursued, and perfected, the use of  
21 cross-functional teams can have a positive impact every bit  
22 as great as the original Goldwater-Nichols legislation.

23 To take this historic step, all the committee has to do  
24 is stay undeterred on its current course. For the benefit  
25 of those we send in harm's way and the entire Nation, I

1 encourage you to do so.

2 Thank you, Mr. Chairman and Senator Reed and all the  
3 members of the committee, for your visionary leadership on  
4 this critical issue.

5 [The prepared statement of Mr. Locher follows:]

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1 Chairman McCain: Thank you very much, Jim. And thank  
2 you for your many years of service.

3 Dr. Edmondson, listening to your testimony reminds me  
4 of several visits I've met -- I've made to Silicon Valley  
5 and other high-tech organizations, where they're basically  
6 working in open spaces. No longer are there cubicles  
7 separating, but they're all out there in the open, which  
8 provides, then, for the environment, really, of a  
9 collaborative effort. Have you ever seen any office in the  
10 Pentagon that looked like that?

11 Dr. Edmondson: No. And I don't want to imply that  
12 it's architecture. I think it's mindset more than  
13 architecture.

14 Chairman McCain: Yeah.

15 Dr. Edmondson: And structure and leadership.

16 Chairman McCain: Right.

17 Dr. Edmondson: And --

18 Chairman McCain: But, doesn't the architecture somehow  
19 provide the atmospherics?

20 Dr. Edmondson: It can. It can. It's important. And  
21 this is, of course, a detail. But, it's important to get  
22 the acoustics right. I know people working in these office  
23 -- and I've studied some of these open offices, where people  
24 are going crazy. And then there are others where the  
25 acoustics are so well designed that, in fact, they say it's

1 fantastic. They can do their own thinking, they can do  
2 their own work, but they just poke their heads up and they  
3 see someone over here they need to coordinate with on some  
4 complex time-dependent issue, and off they go. So, it  
5 certainly can work. Architecture can shape the mindset,  
6 shape the behavior. And it, too, is not a panacea.

7 Chairman McCain: But, the mindset shapes the  
8 architecture.

9 Dr. Edmondson: You bet. Absolutely.

10 Chairman McCain: General, one of the famous stories,  
11 of course, is the story of the MRAP, where Secretary Gates  
12 talks about -- he had to personally take charge -- once-a-  
13 week meetings. In other words, the issue was of the  
14 transcendent importance, saving the lives of our men and  
15 women in the military who were so vulnerable to IEDs. But,  
16 obviously, as he stated before this committee, you can't do  
17 that with everything that comes along. It's just a physical  
18 impossibility. And we also have had Secretary Panetta, who  
19 feels, basically, as -- of the same mindset. And Secretary  
20 Hagel.

21 And yet, now we're getting this reaction from the  
22 Pentagon as if it were the end of Western civilization as we  
23 know it. There are smart and good people over there. There  
24 are people who understand that the system is not working.  
25 We had a hearing on the F-35. The first time the F-35 was

1 recommended was 2002. And it's still not operationally  
2 capable. I mean -- and yet, I have to get one of these  
3 every 18 months. And then 18 months -- I understand it,  
4 then I have to -- anyway. That's a personal issue.

5 But, the -- why is it? Why is it that we are getting  
6 this near-hysterical response to what former Secretaries of  
7 Defense, leaders such as yourself -- I've not met a leader  
8 with your background and experience that doesn't say that  
9 this kind of change has to take place. It -- help me out.

10 General McChrystal: It does have to take place, Mr.  
11 Chairman. I think you're exactly right.

12 I think that --

13 Chairman McCain: Why the -- why such a visceral,  
14 emotional reaction?

15 General McChrystal: I think all big organizations,  
16 people get set into their equities at different levels in  
17 the organization. They get used to things. They learn the  
18 rules. And when you start to --

19 Chairman McCain: But, haven't they learned -- yeah,  
20 I'm not -- don't mean to interrupt, but every time there's a  
21 crisis, we have a Joint Task Force, right?

22 General McChrystal: That's correct. Every time that I  
23 can think of, you have a very complex, difficult problem,  
24 you form some form of a cross-functional team, you put them  
25 in, typically, open architecture. You work the problem.

1 And then, interestingly enough, once the problem is solved,  
2 we sort of go, "Whew, glad that's over," and then we go back  
3 to our offices. And so, I think the new normal is, we're  
4 living in that complex world, so I'm -- that's why I'm so  
5 supportive of 941.

6 Chairman McCain: Well, let me ask one more question,  
7 then, that is not directly related to this particular issue.

8 And you were commander of the only organization that  
9 literally transcends and crosses geographic boundaries. Do  
10 you think we ought to be looking at the entire COCOM  
11 structure, given the nature of the challenges we face today?

12 General McChrystal: I would argue, I -- and I haven't  
13 studied that and given it deep thought -- I would argue,  
14 everything ought to be looked at on a constant basis.  
15 Anything that was locked into rules ought to be considered  
16 movable.

17 Chairman McCain: And we have a -- for example, we have  
18 a NORTHCOM and a SOUTHCOM, with the boundary line being the  
19 Guatemala/Mexico border. Does that make any sense?

20 General McChrystal: Mr. Chairman, I'm not prepared to  
21 really opine on that today. I would say, though, I'd -- all  
22 things like that have got to be looked at, organizationally  
23 and culturally, just constantly.

24 Chairman McCain: And the decisionmaking process -- let  
25 me just give you an example. You know, we know the issue of

1 force levels in Afghanistan is one that has to be decided  
2 between what has already been announced, beginning next  
3 year, would be a reduction from 9,800 to, basically, a very  
4 small force at two bases. And yet, there is no decision.  
5 Senator Reed and I have written to the Secretary of Defense,  
6 asking for a decision. Are we harming our ability and our  
7 relationship with our allies by delaying a fundamental  
8 question like that? And does that have any relation to the  
9 bureaucracy?

10 General McChrystal: I think it probably has a  
11 relationship to the bureaucracy, but I also think it just --  
12 it brings uncertainty. Markets don't like uncertainty.  
13 Diplomacy doesn't like uncertainty. Security doesn't like  
14 uncertainty. So, I think the more we can make that  
15 transparent and less uncertain to people, I think, the  
16 better response we'll get from our allies and our enemies.

17 Chairman McCain: Senator Reed.

18 Senator Reed: Well, thank you very much, Mr. Chairman.

19 And thank you all for very insightful, excellent  
20 testimony. Thank you.

21 And just to clarify this -- I think you've made the  
22 point, but -- Dr. Edmondson -- that one of the pushbacks we  
23 get is, "Well, we do this all the time anyway. We have  
24 crosscutting teams here, there, and everywhere." But,  
25 there's a difference between the cross-functional teams that

1 we're talking about and working groups that share  
2 information, seek consensus, and never seem to get either.  
3 Is that -- I mean, is that your impression?

4 Dr. Edmondson: There is a universe of difference.  
5 Right? So, it's -- a team -- a cross- -- an effective  
6 cross-functional team is not simply a group of people from  
7 different units or functions. It's a group of people from  
8 different units or functions who are charged with a clear  
9 directive, a clear, meaningful directive on behalf of the  
10 organization. And specific deliverables that they, of  
11 course, have a very important role in defining at the level  
12 of detail, and a timeframe, and resources, and support, and  
13 empowerment. Right? So, they are given the license to get  
14 things done. That doesn't mean they're going to go rogue.  
15 Right? They still are under the directive of senior  
16 leadership, and they know they are, and they are, doing  
17 meaningful work on behalf of the organization that has to  
18 get done in a timely way.

19 Senator Reed: And one of the aspects of Section 941  
20 that Mr. Locher referred to is a training component, too,  
21 and a preparation component. We have a -- this can't be  
22 launched immediately. There has to be a -- you know, one,  
23 an identification of the appropriate individuals in the  
24 appropriate organizations, the training of how to do this.  
25 That's all part of this process, the foundation, if you

1 will. Is that correct?

2 Mr. Locher: Senator Reed, it is. And I should say  
3 that the training part is quite important. Even in  
4 business, creating effective cross-functional teams is  
5 difficult. And the training is important. Both of the team  
6 members, they need to be trained in the functioning of a  
7 team, conflict resolution approaches. But, their  
8 supervisors have to be trained, as well. They need to  
9 create that safety net for those team members to go off.  
10 They don't have to be accountable to the ideology of their  
11 functional area; they're designed to solve the problem of  
12 the mission team. So, those supervisors need to be trained,  
13 as well.

14 And, as I mentioned, there's -- has not been enough  
15 attention, in the Pentagon, to leadership, so we're talking  
16 about leadership training, some training on modern  
17 organizational practice, and on collaboration, as well as  
18 cross-functional teams.

19 Senator Reed: One of the other aspects, I think, of  
20 making this work goes to the reward structure. And on --  
21 General McChrystal, I think you've been in the -- in this  
22 atmosphere for a long time, but that -- my impression now is  
23 that, when they put together these teams of different  
24 organizations, the reward is back home. It's either in the  
25 Army or SOCOM or the Navy or the Marine Corps, et cetera.

1 And so, you're there protecting that -- you know, that  
2 ethic, because that's where you'll get your --

3 So, how do we work this reward structure, basically, in  
4 terms of these joint teams, so that you get the proper  
5 commendation and the proper whatever?

6 General McChrystal: I think if you use Goldwater-  
7 Nichols as one example of where we adjusted a -- reward  
8 structures, and it had a very significant cultural effect --  
9 I think the same thing needs to happen here, because there's  
10 still a tendency to keep your talent close to home and  
11 reward it because they're around. And so, as a consequence,  
12 I think what we need to do is, first, reward participation  
13 on cross-functional teams, maybe make it required, like  
14 joint duty, but also seek a way in our evaluation systems,  
15 efficiency report systems, to measure who makes a difference  
16 in the effectiveness of a cross-functional team. When we  
17 work with civilian companies, it's always this tension  
18 between individual incentives, "Did I make my number?"

19 Senator Reed: Right.

20 General McChrystal: Or, "Does the organization do  
21 better because I helped the organization do better?" It's  
22 challenging to measure, but it's possible. And those people  
23 who the team scores more goals when they're on the ice are  
24 the kinds of people that we need to recognize and help grow.  
25 It's got to do with leadership training, and it's got to be

1 support of those cross-functional teams.

2 Senator Reed: Just a final point. And I -- it echos  
3 what the Chairman said and what many have said. I have, you  
4 know, a feeling that we have to do this, because the other  
5 guys are doing it. My impression -- again, your leadership  
6 in Iraq was superb, but one of the reasons why your  
7 opponents had to be horizontal is because we had every tool  
8 in the book to take out a hierarchical structure. We just  
9 couldn't find it for a while. And then you started getting  
10 horizontal, also. And then, of course, the communications  
11 revolution has made all this much more feasible.

12 I'm looking, though, across the globe, in places like  
13 Russia. They seem to be much more adaptive of this  
14 horizontal, cross-functional intelligence offices, tactical  
15 offices, political offices, et cetera. Is that your  
16 impression, General? Because in --

17 General McChrystal: Sir, it is. The person that had  
18 the biggest effect on changing Joint Special Operations  
19 Command was a guy named Abu Musab al-Zarqawi.

20 Senator Reed: Yeah.

21 General McChrystal: Because he put us in a position  
22 against a challenge that we couldn't deal with without  
23 changing. So, it wasn't an optional thing we did.

24 I think what we see with our opponents is, nobody is  
25 going to take on a disproportionately powerful organization

1 like the United States where we are best. They are, by  
2 definition, going to go against asymmetrical areas. And  
3 they're going to constantly adapt. And, because you no  
4 longer have to be a nation-state to challenge us anymore,  
5 you can be as small as -- a very small group, because of  
6 technology -- they can all be trying from different angles.  
7 The vast majority can fail, but some will continue to adapt  
8 to a Darwinistic process. And so, the big mechanical beast  
9 cannot, almost by definition -- it'll be like Gulliver and  
10 the Lilliputians -- we'll just be tied down by people who  
11 figure parts of it out.

12 Senator Reed: Well, I appreciate that, as a  
13 Lilliputian. So, thank you.

14 [Laughter.]

15 Chairman McCain: Senator Inhofe.

16 Senator Inhofe: Let's ease off the intellectual plane  
17 of cross-functional teams and cultural obstacles just for a  
18 moment here, and let me ask two questions. And it's based  
19 on something everyone does agree with right now. One is the  
20 threat that we're facing.

21 Mr. Locher, last November you said -- and this is your  
22 quote -- you said, "The world in which the DOD must operate  
23 has changed dramatically over the last 30 years. Threats  
24 and opportunities are more numerous, more varied, more  
25 complex, and more rapidly changing."

1           Then we had four professors before this committee, and  
2           the professors talked about the challenges and they --  
3           United States national security, and were in agreement that  
4           the threats against the United States and its interests are  
5           unlike any time in history. Heard the same thing from John  
6           Brennan, heard the same thing from James Clapper. You know,  
7           I think that people realize we are in that threatened of a  
8           position.

9           Now, the question I would ask -- because Secretary  
10          Gates was here, and he talked about the funding. I mean, he  
11          said that we're now spending one-third of the percentage on  
12          defense, of our total budget, that we did in 1964. And he  
13          said -- which is kind of counter to what we're talking about  
14          here -- he said, quote, "Without proper and predictable  
15          funding, no amount of reform or clever reorganization will  
16          provide America with a military capable of accomplishing the  
17          missions it's assigned to."

18          So, it's -- first of all, do the three of you think  
19          that we're not spending enough, to start with?

20          Mr. Locher?

21          Mr. Locher: Senator, this is not my area of expertise  
22          at the current time. I cannot -- I've not analyzed the  
23          defense budget.

24          Senator Inhofe: Okay.

25          General McChrystal?

1           General McChrystal: I'm pretty much the same place,  
2   Senator.

3           Senator Inhofe: Well, but, you know, in -- Dr.  
4   Edmondson, I know you'll -- probably the same thing. But,  
5   this is what Secretary Gates said. He said a lot of  
6   reorganization, all these things that we're -- unless you're  
7   spending enough money on defense, is -- they're not going to  
8   work. Do you agree or disagree with his statement? This is  
9   Secretary Gates.

10          Mr. Locher: What I might be able to add to the  
11   question that you're asking is, we can spend more and more  
12   money, but if we don't have an organization that can  
13   effectively employ the resources that are available to us,  
14   much of that spending will be wasted. And I think that's a  
15   point at which we are today. I would give more emphasis to  
16   these organizational changes than Secretary Gates did.

17          Senator Inhofe: Yeah.

18          Mr. Locher: You know, we have a huge bureaucracy  
19   that's working as hard as it possibly can, but it is in  
20   Industrial Age functional stovepipes --

21          Senator Inhofe: Okay, but -- time is passing here.  
22   Let me just do this. And, Dr. Edmondson, perhaps -- kind of  
23   take the statement that was made by Secretary Gates, and  
24   just say, for the record -- send it to us after this is over  
25   -- what you're thinking about. All right? Whether you

1 agree with that, or not?

2 [The information referred to follows:]

3 [COMMITTEE INSERT]

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1           Senator Inhofe: I think it's really significant,  
2 because that's exactly what we're talking about doing right  
3 now. And he's saying it doesn't make any difference,  
4 because, unless we're spending more, more resources is not  
5 going to work.

6           The other thing where everyone agrees, and that is,  
7 we're too heavy at the top. The OSD military and civilian  
8 staff increased 20 percent from 2001 to '13. Military and  
9 civilian staff at Army Headquarters increased 60 percent  
10 over that same period. And from 2001 to 2012, the defense  
11 civilian workforce grew five times the rate of the Active  
12 Duty military.

13           Now, in -- to address this, Deputy Secretary of Defense  
14 Robert Work sent all services a memo entitled "Cost  
15 Reduction Targets for Major Headquarters," ordering  
16 preparation for a 25-percent cut in appropriations from 2017  
17 -- that's next year -- to 2020, for all major defense  
18 headquarters. This is what we used to call "the meat ax  
19 approach." Frankly, I kind of like it. What do you all  
20 think about it?

21           General McChrystal: Senator, I think it's sometimes  
22 necessary, but I think you've got to make the changes. You  
23 don't know how head- -- how big your headquarters need to be  
24 until you get them operating --

25           Senator Inhofe: In --

1 General McChrystal: -- the correct way.

2 Senator Inhofe: Okay. And you're all convinced that,  
3 by making these changes, that we're going to be able to do  
4 that. And the result is going to be less at the top, more  
5 Active military. Is that -- do you all agree with that?

6 General McChrystal: I'm not sure those decisions are  
7 being made, but I can tell you it will enable the  
8 opportunity to make better decisions in that.

9 Senator Inhofe: Yeah.

10 Any comment?

11 Dr. Edmondson: Senator, I would have to agree with  
12 that. It is -- what we're talking about here is the use --  
13 the best use of the human resources that the Department has.  
14 And the experience of working in these kinds of cross-  
15 functional purpose-focused teams is one that not only gets  
16 the job done, generally with fewer resources than in prior  
17 approaches, but also that develops the people into far more  
18 capable and -- people with a greater perspective on the  
19 whole system. So, it's a kind of free education for the  
20 people actually doing this important work --

21 Senator Inhofe: Okay. Well, I appreciate that. And  
22 you will follow through with sending the --

23 Dr. Edmondson: I can certainly opine in a general  
24 sense --

25 Senator Inhofe: Very good.

1 Dr. Edmondson: -- that money is not the answer, in  
2 general.

3 Senator Inhofe: Thank you.

4 Dr. Edmondson: You bet.

5 Senator Inhofe: Thank you, Mr. Chairman.

6 Chairman McCain: But, when you don't have enough money  
7 for our pilots to fly -- they're now flying less than  
8 Russian pilots and Chinese pilots, and they're robbing  
9 aircraft to -- for other aircraft to fly, which are facts,  
10 then money does matter, at some point. And right now,  
11 readiness and training are the ones that -- aspects of our  
12 military that are suffering the most. And I think that  
13 General McChrystal would amply testify, when we stop  
14 training people and making them ready, then you put them in  
15 greater danger. And that's what our military leadership has  
16 testified.

17 Senator Manchin.

18 Senator Manchin: Thank you, Mr. Chairman.

19 And thank all of you for your statements this morning.

20 This is to the entire panel, but recently -- I think  
21 you all have heard about the horrific flooding we've had in  
22 West Virginia, devastating as it's been to our State. The  
23 joint interagency responses include the U.S. Army Corps of  
24 Engineers, FEMA, and National Guard. And they're all  
25 responding as we speak. During previous natural disasters,

1 such as Hurricane Katrina, much criticism was directed to  
2 how the agencies coordinated among themselves, or didn't  
3 coordinate among themselves, especially with regard to the  
4 command-control use of DOD and State National Guard assets.  
5 Your statements focused on DOD utilization of cross-  
6 functional teams.

7 So, I guess I could ask how these teams take the next  
8 step and improve the emergency management planning and  
9 coordination between DOD and other Federal agencies. We're  
10 having that lack of coordination right now going on, and  
11 everyone's intentions are good, but, for some reason, we  
12 just can't get our act together to where we have a clear  
13 direction of who's in charge, of how the assets will be  
14 disbursed, and how we can help people in the greatest need.  
15 So, whoever wants to respond to that, and then --

16 Mr. Locher: Senator, if I might. I spent 6 years  
17 studying the national security system of the United States,  
18 the interagency system. And these cross-functional teams  
19 are required at the national security level, as well. And  
20 there's actually a hope that, if these teams are instituted  
21 in the Department of Defense -- Section 941 only requires  
22 the Secretary to create six teams. But what --

23 Senator Manchin: DOD and FEMA is already cross-  
24 functional?

25 Mr. Locher: No, no. I'm saying -- this is just inside

1 the Department of Defense, but I'm saying that, at the next  
2 level up, at the interagency level, we need the same sorts  
3 of cross-functional teams to be created, across the  
4 departments and agencies, pulling them together so that they  
5 can be effective, that we can do effective planning and we  
6 can do effective execution. We do not have that today. The  
7 only way we can integrate that is at the National Security  
8 Council. So, there is a requirement for something very  
9 similar to these cross-functional teams at the next level  
10 up.

11 Senator Manchin: The only thing I can say -- you know,  
12 the DOD and FEMA establish a permanent cross-functional team  
13 is something that you would recommend? Because right now we  
14 don't have that. If we have FEMA coming in, FEMA's coming  
15 in, who we're looking for, for support. Then we have all of  
16 our National Guard out. We're looking for our Federal  
17 assistance. And no one seems to be able to, basically, pull  
18 the trigger and get things done quickly as they need done.

19 Mr. Locher: Senator, every issue that we handle in the  
20 national security arena requires more than one department.  
21 And so, you have to work it across -- and many times, we  
22 need seven or eight departments working together. You're  
23 talking about the Department of Defense and FEMA, but there  
24 are lots of other players --

25 Senator Manchin: Sure.

1           Mr. Locher:  -- there, as well, that could be brought  
2 together in an effective teaming approach.  And so, I'm  
3 hopeful that, once the committee is successful in Section  
4 941, this will spread and move up to the national security  
5 level, where it is desperately needed.

6           Senator Manchin:  General, if you -- on another -- I'm  
7 a firm believer in fixed-price -- fixed-price contracting, I  
8 think, as our Chairman is, also, and the concept that  
9 services should state what they are looking for in buying a  
10 weapon system, and then pay us that price.  Basically,  
11 knowing what you need and what you want, and making sure  
12 that the price reflects that.  Can you provide an example to  
13 how utilization of cross-functional teams has improved  
14 contracting?  And do you think that use of cross-functional  
15 teams would improve the development of weapon systems  
16 acquisition requirements and lead to less use of cost-plus  
17 contracting?

18           General McChrystal:  I'm not an expert in acquisition,  
19 but I will give you my personal experiences and my beliefs.  
20

21           The first is, the acquisition process, where you have  
22 to identify your requirements many, many years out, and nail  
23 those down, doesn't reflect the march of technology anymore.  
24 And it is not what civilian corporations are doing.  They  
25 have to be much more flexible and adaptable.  Which means,

1 in my view, you have to form cross-functional teams that are  
2 not just the users of the end piece of equipment, but also  
3 those scientists who create it, all the different people who  
4 can help produce that, because it's going to be an iterative  
5 process that's going to change tremendously from the time  
6 someone came up with the idea.

7 Senator Manchin: Dr. Edmondson, just finally, six  
8 Sigma was a big -- you know, it's been bantered around for  
9 quite some time. Do you find that morphing into this cross-  
10 functional? Is it part of it?

11 Dr. Edmondson: Not exactly, Senator. Six Sigma  
12 applies well to work that is extremely well understood and  
13 highly routine, because it allows us to get sufficient data  
14 to know exactly how something should be done repeatedly and  
15 effectively and efficiently every single time. And so,  
16 we're look -- Six Sigma is essentially an extraordinarily  
17 low error rate, a one-in-a-million error rate. That's not  
18 the case for the kinds of work we're talking about here,  
19 that's fast-paced, unpredictable, innovating on the fly, and  
20 so forth. So, cross-functional teams are not the perfect  
21 tool for Six Sigma-like work activities.

22 Senator Manchin: The --

23 Dr. Edmondson: They are a good tool -- excuse me --  
24 for innovation and responding to unprecedented issues and  
25 challenges.

1           Senator Manchin: I guess I would just ask, in followup  
2 -- I'm so sorry --  
3           Dr. Edmondson: Yeah.  
4           Senator Manchin: -- Mr. Chairman -- but cross-  
5 functional -- why are we having such a hard time for the  
6 cross-functional to really grab hold and do what it's  
7 supposed to do?  
8           Dr. Edmondson: Now, that is one of the puzzles for the  
9 ages. I suppose that the best answer is that organizations  
10 do resist change. Organizations -- and General McChrystal  
11 did talk about this -- there's a comfort level in what I  
12 know, what I know well --  
13           Senator Manchin: Everybody's fighting back and  
14 hunkering down, covering their own, right?  
15           Dr. Edmondson: We need to learn to change. I think  
16 critical -- the critical issues, the critical competencies  
17 that organizations today have is the competency to keep  
18 learning.  
19           Senator Manchin: Well, I'll throw this back --  
20           Dr. Edmondson: Yeah.  
21           Senator Manchin: -- to the Chairman right now. I'm  
22 sure he has a comment on that.  
23           Chairman McCain: I think an important comment was just  
24 made, "They need to learn to change." I think that that's a  
25 fundamental, here, that we're grappling with, that --

1 Thank you, Doctor.

2 Senator Ernst.

3 Senator Ernst: Thank you, Mr. Chair.

4 And thank you, to the witnesses today. This has been a  
5 very interesting conversation.

6 General McChrystal, I want to thank you, especially,  
7 for your leadership at the 75th Ranger Regiment. Fantastic  
8 organization.

9 General, I'll start with you. As you may know, the  
10 DOD, under its Force of the Future Plan, is looking at  
11 directly commissioning more civilians at the O6 grade. And  
12 do you believe the Department needs more direct commissioned  
13 officers at the O6 level? Yes or no, sir.

14 General McChrystal: I do. And I think not just at the  
15 O6 level. I actually think lateral entry into the military  
16 services -- right now, the military services, by definition,  
17 are a guild. You start at entry, and you work your way up.  
18 You get some great competence, but the reality is, by the  
19 time you reach a certain level, you are a product of that  
20 organization, good and bad. And I think fresh air coming in  
21 laterally is doable, and I think it would be very  
22 beneficial.

23 Senator Ernst: Is there something, then, that we're  
24 missing, as a uniformed military, where we cannot fill those  
25 positions with DOD contractors or others that serve in the

1 civilian force, rather than commissioning them into the  
2 military?

3 General McChrystal: I think commissioning them in has  
4 an advantage. I think you bring people in, they become part  
5 of the organization; they're not external, like a  
6 contractor. And I also think they go back out again. And  
7 if you think about America, what we need is more people in  
8 America who have served in uniform. Maybe they don't do it  
9 when they're age 18, maybe they do it when they're age 45,  
10 but they go back out into business or politics or whatever  
11 they do. I think they go out richer. And I think America's  
12 military becomes more integrated with our society again.

13 Senator Ernst: Do you think that that should be  
14 limited to specific areas within the military, then? Maybe  
15 the CYBERCOMs or -- of course, we do it with doctors,  
16 lawyers. Or do you think an infantry officer could --

17 General McChrystal: I am not --

18 Senator Ernst: -- get in as an O6?

19 General McChrystal: -- reflecting the opinion of  
20 anybody but me. I think we can bring people in. I've run  
21 into competent executives out in the world who could come  
22 in, and they could be infantry officers. And I tell them,  
23 "In 6 months, we could teach you enough to do what you have  
24 to do, and your leadership skills and your wisdom, and you'd  
25 be able to perform." Think of what has happened in our big

1 wars, the Civil War, Revolution. People came out of the  
2 civilian world and did wonderful service. And I think that  
3 there's a backbone of professional military who spend a  
4 whole life there, but I think I -- a breathing, a moving in  
5 and out of fresh air would be positive for everyone.

6 Senator Ernst: And I would tend to agree, in certain  
7 circumstances, as well, sir.

8 And I know this is a different topic for another day,  
9 but I know that there have been some challenges with moving  
10 females into infantry leadership roles immediately. But, I  
11 think there are some certain advantages there, as well. And  
12 we can talk about that another time.

13 But, in your experience, how challenging -- and we've  
14 talked a little bit about this. Dr. Edmondson, you said,  
15 "Learn to change." If I could get, from the whole panel,  
16 how challenging it is for the DOD to reform itself.

17 General, when you, maybe, were a platoon leader, years  
18 ago, and for -- to the time you retired, we have become  
19 increasingly complex around the globe with what our military  
20 is facing. Understanding that we have those challenges, why  
21 is it so hard for the DOD to reform itself?

22 And I'd just like all of you to discuss that. Yeah,  
23 thank you.

24 Mr. Locher: Senator, I've had lots of experience  
25 trying to change the Department of Defense. And I should

1 say that it objected to the two biggest transformations in  
2 the last 70 years, the first being the Goldwater-Nichols  
3 Act, and the second being the Cohen-Nunn Amendment that  
4 created the U.S. Special Operations Command.

5 Today, why is it that the Pentagon leadership has not  
6 looked at what's going on in modern organizations and  
7 brought these concepts into the Department? And the first  
8 problem is, they're too busy. They've inherited a  
9 Department that's antiquated. They have all of these  
10 problems around the world.

11 I was there in the transition at the beginning of the  
12 Clinton administration, when Secretary Aspin came in. And,  
13 after he had been on the job for a few days, he said, "Mr.  
14 Locher, where do all of these problems come from?"

15 They are just completely overwhelmed. They have a  
16 bureaucracy that's not working, but they have all of these  
17 demands. They are not able to take their time and attention  
18 to try to fix the bureaucracy. And that's one of the great  
19 benefits of Section 941. The Congress is going to mandate  
20 these changes.

21 You also have the cultural issues. We have a very  
22 entrenched culture in the Pentagon that grew up consensus-  
23 driven. Things get watered down. We're in the functional  
24 stovepipes. We've never been brought together in teams.  
25 But, I think there's also a tendency that they don't

1 understand the modern organizational practice. They  
2 understand what they're doing, and how hard they are  
3 working. As you may know, people in the Pentagon are  
4 working incredibly hard. They're just working in a very  
5 ineffective system.

6 So, there are lots of reasons. And I think it's  
7 imperative that the committee press ahead and help the  
8 Department of Defense with this particular issue.

9 Senator Ernst: Very good. And thank you.

10 Yes, General.

11 General McChrystal: Senator, I arrived in the  
12 Pentagon, for my first tour, as a brand new major general  
13 coming out of Afghanistan. And so, to get to Jim's point, I  
14 was running hard to figure out how the Pentagon worked. And  
15 this was the ramp-up to the entry into Iraq. And so, the  
16 reality is, I'm so busy trying to figure that out -- and I  
17 was only there 14 months, to the day, before I moved out.  
18 So, the reality is, I think I'm not really uncommon of a lot  
19 of the military leaders that come through. And then there  
20 is a bureaucracy that gets stuck.

21 So, I think it needed help from the outside to make the  
22 kind of changes that were recommended.

23 Senator Ernst: Very good.

24 Thank you.

25 Chairman McCain: Do you know of many people of your

1 grade at that time who sought to work in the Pentagon?

2 General McChrystal: No, Mr. Chairman, I do not.

3 [Laughter.]

4 Chairman McCain: Senator King.

5 Senator King: Thank you, Mr. Chairman.

6 I'm very supportive of this concept, as a general  
7 principle. I have some specific questions about execution  
8 in Section 941.

9 And I guess I want to begin -- Dr. Edmondson, you cited  
10 a bunch of cases from business. Here's my fundamental  
11 question. Are cross-functional team usually an ad hoc  
12 response to a problem or a series of problems, or are cross-  
13 functional teams, themselves, institutionalized within the  
14 organization of Nissan or Cisco or whatever other cases  
15 you've cited?

16 Dr. Edmondson: Yes, Senator.

17 Senator King: Both.

18 Dr. Edmondson: Both. So, it depends. So, in Nissan,  
19 the CEO -- first of all, you know -- and it relates to  
20 Senator Ernst's point, as well, or question -- for every  
21 successful transformation, there is a company that dies  
22 along the wayside. For every IBM, there's a DEC. For every  
23 Ford, there's an American Motors. And to make it happen --  
24 so, Nissan, Carlos Ghosn said, "We will have nine cross-  
25 functional teams." It was his idea.

1 Senator King: But, do they still exist? That -- my  
2 question --

3 Dr. Edmondson: No. So, I'll -- so, the -- his idea,  
4 "These are the nine issues" --

5 Senator King: I have only 5 minutes, so please --

6 Dr. Edmondson: They do not -- they do not still exist.  
7 They do not still exist. They were there to put in -- to  
8 make some necessary changes, save the company. Then they  
9 ceased to exist. And, from their point of view, thank  
10 goodness. They had their day job still to go back and --

11 Senator King: Well, that's my --

12 Dr. Edmondson: Yeah.

13 Senator King: Mr. Locher, that's my --

14 Dr. Edmondson: But, there are some organizations that  
15 institute cross-functional mechanisms to stay all the time  
16 if there's a recurring set of similar issues.

17 Senator King: Well, Mr. Locher, that's my question,  
18 is, the -- all for our cross-functional teams, but, by  
19 writing them in and requiring that they be established,  
20 isn't that almost a contradiction in terms, that you're  
21 creating a new bureaucratic structure on top of the old  
22 bureaucratic structure? When I think of cross-functional  
23 teams as more ad hoc and responsive to problems as they  
24 arise.

25 Mr. Locher: Senator King, the -- as it turns out, a

1 cross-functional team could exist for 3 days, for 3 weeks, 3  
2 months, 3 years --

3 Senator King: But, this statute talks --

4 Mr. Locher: -- or three decades.

5 Senator King: -- about them being established as an  
6 ongoing part of the organization of the Pentagon.

7 Mr. Locher: Yes, but it only -- it does not say what  
8 teams are to be created. The Secretary of Defense could  
9 decide -- he only has to create six teams. That's a minimum  
10 beginning. Eventually, when this gets established in the  
11 Department of Defense, it's going to be used everywhere.  
12 The Joint Staff, where General McChrystal was the Director,  
13 will turn and will employ cross-functional teams. As it --  
14 it's saying that this is a concept that the Pentagon should  
15 employ. The Secretary gets to decide what teams they are.  
16 And he can change those teams. He can terminate them when  
17 they've served their purpose.

18 Senator King: So, you feel that this particular  
19 legislative language, which is what we're talking about, is  
20 not too prescriptive, in terms of essentially setting up an  
21 alternative bureaucracy.

22 Mr. Locher: It is not. It gives a broad mandate from  
23 the Congress, but then leaves it to the Secretary of Defense  
24 to identify which areas he's going to create mission teams  
25 in, or whether there are other priority outputs that he

1 wants to focus on. And he can disestablish those teams when  
2 they've served their purpose. He could create others. He  
3 could create many more teams than the six that are mandated  
4 here.

5 Senator King: Well, it seems to me that what we're  
6 really talking about here is Goldwater-Nichols 2.0, applying  
7 the Goldwater-Nichols principles to the joint commands,  
8 which was a kind of forced integration of the forces, to a  
9 forced integration of the bureaucracy. Is that a fair  
10 statement --

11 Mr. Locher: Well, it's correct. You know, in  
12 Goldwater-Nichols, we sort of did cross-service  
13 collaboration.

14 Senator King: Exactly.

15 Mr. Locher: And here we're talking about cross-  
16 functional collaboration, primarily at the headquarters  
17 level, but it can be applied in the field, as well. You  
18 know, out in the field, we've done better with leaders who  
19 put together -- collaborating across the services. But, our  
20 headquarters is 30 years out of date, and it can be improved  
21 considerably by these collaboration concepts.

22 Senator King: A friend of mine once observed that  
23 Freud said, "Anatomy is destiny," and Napoleon said, "War is  
24 history." My friend said, "Structure is policy." And I  
25 think that may be what we're talking about here, is, if you

1 have a structure that is overly bureaucratic and rigid, the  
2 policy will be slow, cumbersome, and itself not responsive  
3 to immediate problems. Is that a fair --

4 Mr. Locher: I think that's absolutely on target. And  
5 Dr. Edmondson was talking about a different mindset. We  
6 need to get out of thinking inwardly. In the functional  
7 silos, people are looking inwardly. They're looking to the  
8 responsibility of their office. What we need them to do is  
9 think about, What is the mission of the Department of  
10 Defense in this particular area? And how do I collaborate  
11 with others who have expertise here and pull together all of  
12 that expertise to solve the problem of the Department of  
13 Defense?

14 Senator King: Well, I think the Chairman made an  
15 interesting observation about architecture. It's no  
16 accident that the most creative companies -- and I go  
17 through them -- very rarely do they have walls. It's not  
18 because they can't afford cubicles, but because they found  
19 that people having a free flow of collaboration and ideas,  
20 sitting around in a "living room" kind of setting is  
21 effective. They're -- these are very smart companies that  
22 make a lot of money, and they know what they're doing. And  
23 the idea of everybody in a little closed box with a door is  
24 not the way modern business is done.

25 So, I appreciate your testimony very much.

1           Mr. Chairman, thank you for calling this important  
2 hearing.

3           Chairman McCain: Well, we have a ways to go before the  
4 President signs the defense authorization bill, for a lot of  
5 reasons. But, one of the reasons that was stated in the  
6 statement of administration policy was that they did not --  
7 that they strongly disapproved of this section of the  
8 defense authorization bill. The reaction that we've gotten  
9 to it has been overwhelmingly positive.

10           And so, this hearing has been very helpful, I think.  
11 And we'll see whether we are able to restructure -- I think,  
12 frankly, it's a matter of "time" rather than "whether." If  
13 this effort fails, sooner or later the Pentagon is going to  
14 have to catch up with the 21st century. And --

15           Go ahead, Jim.

16           Mr. Locher: Mr. Chairman, one thing I should mention.  
17 I don't know how the National Defense Authorization Act is  
18 going to work out this year, but one thing that the  
19 committee can absolutely do is, when it has confirmation  
20 hearings next year for presidential appointed officials in  
21 the Department of Defense, I would insist that every person  
22 that comes is schooled on collaboration, cross-functional  
23 teams, modern organizational practice, and committed to  
24 their effective use in the Department of Defense. That's an  
25 area in which I would question them, and I'd make certain

1 that they're committed. And hopefully, they'll have this  
2 mandate in law to assist them. But, you do also have that  
3 hammer at the beginning of the next administration.

4 Chairman McCain: That would be a good way to make  
5 America great again.

6 [Laughter.]

7 Chairman McCain: Do you want --

8 Senator Reed: I can't follow that.

9 [Laughter.]

10 Senator Reed: I simply want to thank the witnesses. I  
11 -- and we are engaged in a -- I think, because of the  
12 Chairman's leadership, we've got this issue in play. It's  
13 critical. I think we have to do it. And we can -- I think  
14 we -- with a productive dialogue with everyone -- and you're  
15 -- have been particularly productive -- but, with DOD, with  
16 the administration, we can get a better product than even we  
17 think we have now. I hope so.

18 Thank you, Mr. Chairman.

19 Chairman McCain: Thank you.

20 Hearing is adjourned.

21 [Whereupon, at 11:03 a.m., the hearing was adjourned.]

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