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

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.
OPENING STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR
FROM ARIZONA

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

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

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

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

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

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

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

General, I know you've missed us.

[Laughter.]

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

[Laughter.]

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

As we have stressed from the start of this inquiry, our Nation is blessed by the many fine hardworking personnel, both military and civilian, in the Department of Defense. These are patriotic Americans who wake up every day to do
difficult jobs, often foregoing easier careers and more lucrative opportunities because they care about the mission of keeping America safe. And so many gave their all to it. Unfortunately, the organization in which they labor is not optimally structured to take full advantage of their talents.

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

This is not the world of 30 years ago. America no longer has the margin for error that we once enjoyed. We no longer confront a single adversary, which an Industrial Age bureaucracy could manage. Instead, we face a series of global and enduring strategic competitions that all cut
across our defense organization, which is often aligned
around functional issues, regional geography, and separate
warfighting domains.

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

These problems are not unique to the Department of
Defense. Many organizations have adopted reforms to
overcome similar challenges, especially in the private
sector, but also in government, from the National
Counterterrorism Center to General McChrystal's
transformation of the Joint -- excuse me -- of General McChrystal's transformation of the Joint Special Operations Command to similar reforms now unfolding at the National Security Agency and the CIA.

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

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

Now, judging by the Department's histrionic response, you would think that we had eliminated parking at the
Pentagon. We've been attacked for micromanaging the Department, when this legislation is no more intrusive, and arguably less, than Goldwater-Nichols. We've been attacked for growing this bureaucracy, when the legislation would not add one billet to the Department. We've been attacked for not understanding cross-functional teams, when the examples of such teams that the Department gives in its defense are anything but. And, most bizarrely, we have been attacked for undermining the Secretary's authority, when the legislation would do the opposite. The Secretary would identify the missions of the teams, pick their leaders, approve their membership, and direct their efforts.

Though disappointing, this reaction is not surprising. Change is hard. And reforms that empower the Secretary and improve the mission at the expense of entrenched bureaucratic interests are often resisted. This is how it was with Goldwater-Nichols and other reforms. But, of all the things that Congress is criticized for nowadays, often legitimately, this committee, at its best, has consistently identified strategic problems facing the Department of Defense that it either could not or would not address on its own. And, when this committee has approached these problems seriously and rigorously, and proposed reforms on a bipartisan basis, even disruptive but necessary reforms, we've made the Department better in ways that it could not
do by itself. And, in the fullness of time, it has often come to celebrate these efforts. I'm confident that the same will be true of the reforms in this year's NDAA.

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

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

I thank you.

Senator Reed.
STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE ISLAND

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

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

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

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

General Stan McChrystal has significant knowledge and experience in Defense Department management and decisionmaking processes from his service as Director of the Joint Staff, the Commander, Joint Special Operations Command in the battle against al Qaeda in Iraq, with courage and great personal example and leadership -- thank you -- and,
of course, Commander of Coalition Forces Afghanistan, and as a commander in the 504th Parachute Infantry Regiment. So, all of these things have given him the expertise needed for today's hearing. Since that time, as the Chairman has indicated, he has used his post-Active Duty service to apply these lessons in the context of other agencies, and teaching at Yale.

So, thank you very much, General McChrystal.

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

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

As the Chairman indicated, this is a very important hearing. And the Office of Secretary of Defense and Department of Defense as a whole is organized around differentiated functions, just like most other enterprises. Large-scale organizations have struggled, since the Industrial Revolution, to find ways to effectively integrate across these silos of functional experts. DOD's burden in this regard is heavy. Its ability to integrate horizontally
to create sound strategies and effectively execute missions acutely affects the national security.

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

Despite this long and broad experience, it still isn't easy. Even accomplished businesses that purposely pursue cross-boundary teaming often fail to do it right. But, when it is done correctly, the results can be remarkable. DOD and the government generally has not yet implemented such innovations. There are notable exceptions. General McChrystal has had success with cross-functional teams,
which has enabled agility and integrated operations across a
large-scale enterprise in his operation in Iraq. And also,
Secretary Gates, himself, created a series of special task
forces to address critical issues when the Pentagon's
standard processes failed him, task forces that closely
aligned with classic cross-functional teams.

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

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

I understand that the Department is going to have
carens over any external directive for changing its
management and decisionmaking processes. However, I think
that many of their concerns may be from a misunderstanding
of the intent and scope of the committee's provision 941. I
believe that the committee and the Department have a shared
goal, and the committee wishes to see the Department push
the envelope for the teams it already uses, building upon
successful models of cross-functional teams that have been used in and outside of government. And I would hope that the committee and the Department can have a dialogue to find common ground on ways to maximize the effect of this proposal so that national security benefits from an efficient management tool will be derived by the Department of Defense.

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

Thank you, Mr. Chairman.

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

Of these 1,676 nominations, 85 nominations are 3 days short of the committee's requirement that nominations be in committee for 7 days before we report them out. No objection has been raised. These nomination -- I recommend the committee waive the 7-day rule in order to permit the
confirmation nominations of these officers before the Senate goes out before the 4th of July recess. And I think there's one additional -- one additional that we may look at -- we may ask the committee later on.

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

Senator Reed: So moved.

Chairman McCain: Is there a second?

Senator Inhofe: Second.

Chairman McCain: All in favor, say aye.

[A chorus of ayes.]

Chairman McCain: The ayes have it.

Welcome, to the witnesses.

Dr. Edmondson, we'll begin with you. Thank you for appearing today.
STATEMENT OF AMY C. EDMONDSON, NOVARTIS PROFESSOR OF LEADERSHIP AND MANAGEMENT, HARVARD BUSINESS SCHOOL

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

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

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

First, and probably most important, certain activities simply cannot be accomplished by individuals working in separate functional -- in silos. This is because they simply require integration of disparate information, expertise, or interests, and hence, require real-time interaction.

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

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

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

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

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

The clearest example of such work in business is new product development. And several decades ago, new product development was accomplished by people in separate functions -- sales, marketing, design, engineering, manufacturing,
accounting, and so on -- each completing their respective
tasks, and then effectively throwing them over the wall to
another function to take over. Without back-and-forth
discussion across expert fields, this led to poor-quality
products and very long cycle times, because the complex
problems of design, manufacturing, distribution, cost
containment, and so on, can't be solved -- certainly can't
be solved in innovative and effective ways without that
realtime interaction.

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

Today, to meet market expectations for time and
quality, cross-functional teams are simply considered a
necessity in most industries. No successful company, for
example, would consider returning to the functional hierarchy for new product development. But, cross-disciplinary teams have also improved performance in patient care, supply-chain management, airline service, to name just a few arenas that have been extensively studied.

Yet, not every business task requires a team approach. For some activities, individuals, in fact, can work more effectively in -- alone or alongside others in shared silos, which some people prefer to call "cylinders of excellence."

Functional hierarchies work well when problems are well understood and activities are routine.

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

So, for problems that are novel or need input or cooperation from multiple parts of the organization, it calls for a team approach. And so, this is why people in my field increasingly call a company's ability to form and lead 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 the necessary conditions for their success have not been implemented. These conditions are not outlandish or complicated. Rather, they will strike most of you as common sense. Yet, unless leaders invest the time and effort in setting teams up for success, the conditions will not be present.

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

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

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

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

In my view, shifting the work drives culture change, rather than the other way around.

Cross-functional teams will no doubt be intentioned
with preexisting functional structures, especially at first. This is exactly why it should be done. A part of their job is to force the organization to make changes in how things get done, and it can work well if the teams are supported from the top and if they're framed as a way to help educate and shift the organization from its current to its new state. This may sound like a lot of work, and it is, but it's good work, and it's -- when it's done well, the results are worth the effort. It's not just the occasional wild new product development success that shows what can happen when a group of people work well together across boundaries to overcome obstacles.

So, my third task is to briefly describe such successes with the intent to tempt you to follow in their footsteps. The rescue of 33 miners in Chile suddenly and profoundly trapped between 2,000 -- beneath 2,000 feet of solid rock, following an explosion and collapse of part of the mountain, was one such example. Considered absolutely impossible at the outset, the rescue succeeded because of astonishingly effective and unusual collaboration across diverse experts. For 70 days, people from different organizations, sectors, industries, and nations worked together to innovate on the fly, learning fast and furiously, mostly from failure, as they generated and tested new ideas. Reflecting on the details of that rescue as -- which I studied extensively, it
becomes stunningly clear that a top-down command-and-control approach would have failed utterly.

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

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

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

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

Lastly, I briefly comment on the recommendations in Section 941, which struck me as highly reasonable and arguably overdue. Several of the objectives were -- are particularly admirable and consistent with current best practice on the use of cross-functional teams in business. Notably, the desire to integrate expertise and capacities for effective and efficient achievement of Department missions, and to enable the Department to focus on critical missions that span multiple functional issues to frame competing and alternative courses of actions, and to make clear and effective strategic choices in a timely manner to achieve success.
I do agree that, if well implemented, cross-functional teams could help the Department to anticipate, adapt, and innovate rapidly to changes in the threats facing the United States, and to exploit the opportunities to counter such threats offered by technological and organizational advances. It's also reassuring that the Section recognizes impediments, such as sequential hierarchical planning and decisionmaking processes oriented around functional and bureaucratic structures, and more. With awareness of these impediments, I think progress is far more likely through leaders taking precautions to plan and educate others.

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

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

So, thank you.

[The prepared statement of Dr. Edmondson follows:]

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Chairman McCain: Thank you very much.

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

General McChrystal, welcome back before the committee.
STATEMENT OF GENERAL STANLEY A. McCHRISTAL, USA
(RET.), MANAGING PARTNER, McCHRISTAL GROUP

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

[Laughter.]

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

[Laughter.]

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

As background, my experiences on the Joint Staff and in both Afghanistan and Iraq led me to conclude that we uniformly move forward with the best of intentions and often
develop a potentially successful strategy, but encounter structural, institutional, and cultural obstacles to achieving the collaboration and synergy necessary to prosecute those policies and strategies effectively. This is not a new problem. Robert Komer's 1972 narrative on Vietnam, entitled "Bureaucracy Does Its Thing," argued that, "Independent of the wisdom or folly of our strategy, America's inability to effectively execute largely preordained failure." I reread his words in 2009, when I was in Afghanistan, and it felt like he was writing from Kabul.

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

   Cross-functional teams are not the panacea for all the challenges of national security, but they represent an opportunity for fundamental change that should not be ignored. My belief in the power of these cross-functional teams was strongly reinforced when, in 2003, I took command of the Joint Special Operations Command, probably the best Special Operations force ever fielded. On paper, we had
everything we needed to succeed -- quality people, generous resourcing, and aggressive, thoughtful strategies. And yet, in Iraq, we were losing. Designed to conduct carefully planned raids against targets that had been exhaustively studied, our force was almost elegant in its precision, carefully crafted to combat traditional target sets.

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

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

But, it's important to make a small caveat. Much of the historical attention given to this evolution is placed
on the procedural changes I just described. You'll often hear it said that we became a network to defeat a network. That's a half-truth. It implies we threw away the hierarchy, which we did not. Many think there's a binary choice in today's world: be a stable, but slow, hierarchy or an agile, but less controllable, network. We actually became a hybrid of both models. We retained the stability of the hierarchy, but moved with the speed of a network, when needed. Cross-functional teams enabled that.

The cross-functional teams that we built during this time accomplished this feat by lowering the cultural and institutional barriers that had hampered us during the early days of the war. Removing these barriers enabled those teams to push information, share critical assets, such as air support, and, most importantly, built trust. This trust led to a common purpose that has historically eluded larger hierarchical organizations. The combination of trust and common purpose permeated everything we did as an organization. Information and asset-sharing would not have been possible without the knowledge that partners' forces were working toward the same goal and committed to the same fight. Interagency partners would not have shared information and resources if they did not trust our operators and analysts, and also known that we were all after the same goal. Trust and common purpose were the
foundation upon which we could experiment with new processes. The result was the evolution of an elite tactical command into a networked, adaptable team of teams capable of strategic effect.

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

But, the complication has given way to the complex. The environment we exist in today is radically different from that of the 20th century. Mr. Chairman, members of the
committee, it's worth spending a bit of time on the significance of operating in a complex environment, because we've entered into an age and an environment for which we are dramatically under-prepared.

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

Transformation is essential to survival.

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

Before any procedural or structural effects can be taken, managers that have historically issued directives
have to transform themselves into leaders that empower their workforce. No longer are they managers of efficiency; rather, they have to learn how to trust their employees, build trust among their employees, and enable their workforce, and set the conditions for their success. These efforts, when coupled with continued leadership and workforce training, result in an adaptable, resilient organization and business that has the ability to harness all the resources of the enterprise in support of a strategy. In essence, those that succeed in this transformation have invested in a movement away from a command structure to one defined by teams.

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

Thank you.
[The prepared statement of General McChrystal follows:]
Chairman McCain: A very strong and very informative statement, General, based on many years of experience. And we thank you.

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

[Laughter.]

Chairman McCain: Go ahead. Welcome back, Mr. Locher.
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
which hampers collaboration, limits a focus on missions and
results, demands more people and more management levels,
resists new ideas, and sub-optimizes decisions. The
Pentagon's nearly exclusive reliance on functional structure
denies an ability to handle the complexity and pace of
today's defense challenges.

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

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

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

Some of the organizational problems were identified at
the time of the Goldwater-Nichols Act, quite a while ago. The Senate Armed Services Committee staff study observed, and I quote, "Lost in the functional diffusion of the current Department of Defense organization is a focus on the central strategic objectives and missions of the Department of Defense." There have been efforts between Goldwater-Nichols and now to create cross-functional teams in the Department of Defense. Secretary William Perry tried so in 1995, and Deputy Secretary of Defense -- Deputy Secretary Gordon England, in 2006, sought to create these cross-functional teams, but did not succeed.

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

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

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

The second element of Section 941 would require the Secretary of Defense to establish cross-functional teams to manage major missions and other priority outputs that are intrinsically cross-functional. These mission teams must be the centerpiece of any plan for improving Pentagon performance.
The third element of Section 941 would require actions to begin to shape an organizational culture that is collaborative, team-oriented, results-oriented, and innovative. Culture is so important and difficult to change, it requires a persistent leadership emphasis and proper incentives for the rank-and-file.

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

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

As I mentioned, Mr. Chairman, the Pentagon has not yet endorsed the opportunity afforded by Section 941. To date, the administration alleges that this provision is overly prescriptive and would undermine the authority of the
Secretary, add bureaucracy, and confuse lines of responsibilities. These concerns are entirely misplaced and suggest a lack of understanding of collaboration and teaming concepts or a lack of understanding of the intent of Section 941. If Section 941's prescriptions were faithfully implemented, they would empower the Secretary, streamline bureaucracy, and clarify responsibility for cross-functional integration.

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

Mr. Chairman, given the Pentagon's longstanding inability to correct its organizational defects, Congress would be fully justified, even obligated, just as it was in the Goldwater-Nichols Act, to use its constitutional powers to make rules for the government in regulation of the land and naval forces. Congress has a right to demand that the Department of Defense adopt 21st-century organizational practices, that it have an organizational strategy, that it employ cross-functional teams for cross-functional missions and work, that it have an organizational culture aligned
with operating requirements, that it provide proper training and incentives, and that it employ simplified structure and processes.

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

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

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

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

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encourage you to do so.

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

[The prepared statement of Mr. Locher follows:]
Chairman McCain: Thank you very much, Jim. And thank you for your many years of service.

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

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

Chairman McCain: Yeah.

Dr. Edmondson: And structure and leadership.

Chairman McCain: Right.

Dr. Edmondson: And --

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

Dr. Edmondson: It can. It can. It's important. And this is, of course, a detail. But, it's important to get the acoustics right. I know people working in these office -- and I've studied some of these open offices, where people are going crazy. And then there are others where the acoustics are so well designed that, in fact, they say it's
fantastic. They can do their own thinking, they can do
their own work, but they just poke their heads up and they
see someone over here they need to coordinate with on some
complex time-dependent issue, and off they go. So, it
certainly can work. Architecture can shape the mindset,
shape the behavior. And it, too, is not a panacea.

Chairman McCain: But, the mindset shapes the
architecture.

Dr. Edmondson: You bet. Absolutely.

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

And yet, now we're getting this reaction from the
Pentagon as if it were the end of Western civilization as we
know it. There are smart and good people over there. There
are people who understand that the system is not working.
We had a hearing on the F-35. The first time the F-35 was
recommended was 2002. And it's still not operationally
capable. I mean -- and yet, I have to get one of these
every 18 months. And then 18 months -- I understand it,
then I have to -- anyway. That's a personal issue.

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

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

I think that --

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

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

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

General McChrystal: That's correct. Every time that I
can think of, you have a very complex, difficult problem,
you form some form of a cross-functional team, you put them
in, typically, open architecture. You work the problem.
And then, interestingly enough, once the problem is solved, we sort of go, "Whew, glad that's over," and then we go back to our offices. And so, I think the new normal is, we're living in that complex world, so I'm -- that's why I'm so supportive of 941.

Chairman McCain: Well, let me ask one more question, then, that is not directly related to this particular issue. And you were commander of the only organization that literally transcends and crosses geographic boundaries. Do you think we ought to be looking at the entire COCOM structure, given the nature of the challenges we face today?

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

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

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

Chairman McCain: And the decisionmaking process -- let me just give you an example. You know, we know the issue of
force levels in Afghanistan is one that has to be decided
between what has already been announced, beginning next
year, would be a reduction from 9,800 to, basically, a very
small force at two bases. And yet, there is no decision.
Senator Reed and I have written to the Secretary of Defense,
asking for a decision. Are we harming our ability and our
relationship with our allies by delaying a fundamental
question like that? And does that have any relation to the
bureaucracy?

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

Chairman McCain: Senator Reed.

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

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

And just to clarify this -- I think you've made the
point, but -- Dr. Edmondson -- that one of the pushbacks we
get is, "Well, we do this all the time anyway. We have
crosscutting teams here, there, and everywhere." But,
there's a difference between the cross-functional teams that
we're talking about and working groups that share
information, seek consensus, and never seem to get either.
Is that -- I mean, is that your impression?

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

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

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

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

Senator Reed: One of the other aspects, I think, of making this work goes to the reward structure. And on -- General McChrystal, I think you've been in the -- in this atmosphere for a long time, but that -- my impression now is that, when they put together these teams of different organizations, the reward is back home. It's either in the Army or SOCOM or the Navy or the Marine Corps, et cetera.
And so, you're there protecting that -- you know, that ethic, because that's where you'll get your --

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

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

Senator Reed: Right.

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

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

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

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

Senator Reed: Yeah.

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

I think what we see with our opponents is, nobody is going to take on a disproportionately powerful organization
like the United States where we are best. They are, by
definition, going to go against asymmetrical areas. And
they're going to constantly adapt. And, because you no
longer have to be a nation-state to challenge us anymore,
you can be as small as -- a very small group, because of
technology -- they can all be trying from different angles.
The vast majority can fail, but some will continue to adapt
to a Darwinistic process. And so, the big mechanical beast
cannot, almost by definition -- it'll be like Gulliver and
the Lilliputians -- we'll just be tied down by people who
figure parts of it out.

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

[Laughter.]
Chairman McCain: Senator Inhofe.

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

Mr. Locher, last November you said -- and this is your
quote -- you said, "The world in which the DOD must operate
has changed dramatically over the last 30 years. Threats
and opportunities are more numerous, more varied, more
complex, and more rapidly changing."
Then we had four professors before this committee, and the professors talked about the challenges and they -- United States national security, and were in agreement that the threats against the United States and its interests are unlike any time in history. Heard the same thing from John Brennan, heard the same thing from James Clapper. You know, I think that people realize we are in that threatened of a position.

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

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

Mr. Locher?

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

Senator Inhofe: Okay.

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

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

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

Senator Inhofe: Yeah.

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

Senator Inhofe: Okay, but -- time is passing here. Let me just do this. And, Dr. Edmondson, perhaps -- kind of take the statement that was made by Secretary Gates, and just say, for the record -- send it to us after this is over -- what you're thinking about. All right? Whether you
agree with that, or not?

[The information referred to follows:]

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

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

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

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

Senator Inhofe: In --
General McChrystal: -- the correct way.

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

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

Senator Inhofe: Yeah.

Any comment?

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

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

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

Senator Inhofe: Very good.
Dr. Edmondson: -- that money is not the answer, in general.

Senator Inhofe: Thank you.

Dr. Edmondson: You bet.

Senator Inhofe: Thank you, Mr. Chairman.

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

Senator Manchin.

Senator Manchin: Thank you, Mr. Chairman.

And thank all of you for your statements this morning.

This is to the entire panel, but recently -- I think you all have heard about the horrific flooding we've had in West Virginia, devastating as it's been to our State. The joint interagency responses include the U.S. Army Corps of Engineers, FEMA, and National Guard. And they're all responding as we speak. During previous natural disasters,
such as Hurricane Katrina, much criticism was directed to how the agencies coordinated among themselves, or didn't coordinate among themselves, especially with regard to the command-control use of DOD and State National Guard assets. Your statements focused on DOD utilization of cross-functional teams.

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

So, whoever wants to respond to that, and then --

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

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

Mr. Locher: No, no. I'm saying -- this is just inside
the Department of Defense, but I'm saying that, at the next level up, at the interagency level, we need the same sorts of cross-functional teams to be created, across the departments and agencies, pulling them together so that they can be effective, that we can do effective planning and we can do effective execution. We do not have that today. The only way we can integrate that is at the National Security Council. So, there is a requirement for something very similar to these cross-functional teams at the next level up.

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

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

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

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

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

The first is, the acquisition process, where you have to identify your requirements many, many years out, and nail those down, doesn't reflect the march of technology anymore. And it is not what civilian corporations are doing. They have to be much more flexible and adaptable. Which means,
in my view, you have to form cross-functional teams that are not just the users of the end piece of equipment, but also those scientists who create it, all the different people who can help produce that, because it's going to be an iterative process that's going to change tremendously from the time someone came up with the idea.

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

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

Senator Manchin: The --

Dr. Edmondson: They are a good tool -- excuse me -- for innovation and responding to unprecedented issues and challenges.
Senator Manchin: I guess I would just ask, in followup -- I'm so sorry --

Dr. Edmondson: Yeah.

Senator Manchin: -- Mr. Chairman -- but cross-functional -- why are we having such a hard time for the cross-functional to really grab hold and do what it's supposed to do?

Dr. Edmondson: Now, that is one of the puzzles for the ages. I suppose that the best answer is that organizations do resist change. Organizations -- and General McChrystal did talk about this -- there's a comfort level in what I know, what I know well --

Senator Manchin: Everybody's fighting back and hunkering down, covering their own, right?

Dr. Edmondson: We need to learn to change. I think critical -- the critical issues, the critical competencies that organizations today have is the competency to keep learning.

Senator Manchin: Well, I'll throw this back --

Dr. Edmondson: Yeah.

Senator Manchin: -- to the Chairman right now. I'm sure he has a comment on that.

Chairman McCain: I think an important comment was just made, "They need to learn to change." I think that that's a fundamental, here, that we're grappling with, that --
Thank you, Doctor.

Senator Ernst.

Senator Ernst: Thank you, Mr. Chair.

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

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

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

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

Senator Ernst: Is there something, then, that we're missing, as a uniformed military, where we cannot fill those positions with DOD contractors or others that serve in the
civilian force, rather than commissioning them into the military?

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

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

General McChrystal: I am not --

Senator Ernst: -- get in as an O6?

General McChrystal: -- reflecting the opinion of anybody but me. I think we can bring people in. I've run into competent executives out in the world who could come in, and they could be infantry officers. And I tell them, "In 6 months, we could teach you enough to do what you have to do, and your leadership skills and your wisdom, and you'd be able to perform." Think of what has happened in our big
wars, the Civil War, Revolution. People came out of the
civilian world and did wonderful service. And I think that
there's a backbone of professional military who spend a
whole life there, but I think I -- a breathing, a moving in
and out of fresh air would be positive for everyone.

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

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

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

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

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

Mr. Locher: Senator, I've had lots of experience
trying to change the Department of Defense. And I should
say that it objected to the two biggest transformations in
the last 70 years, the first being the Goldwater-Nichols
Act, and the second being the Cohen-Nunn Amendment that
created the U.S. Special Operations Command.

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

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

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

You also have the cultural issues. We have a very
entrenched culture in the Pentagon that grew up consensus-
driven. Things get watered down. We're in the functional
stovepipes. We've never been brought together in teams.
But, I think there's also a tendency that they don't
understand the modern organizational practice. They understand what they're doing, and how hard they are working. As you may know, people in the Pentagon are working incredibly hard. They're just working in a very ineffective system.

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

Senator Ernst: Very good. And thank you.

Yes, General.

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

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

Senator Ernst: Very good.

Thank you.

Chairman McCain: Do you know of many people of your
grade at that time who sought to work in the Pentagon?

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

[Laughter.]

Chairman McCain: Senator King.

Senator King: Thank you, Mr. Chairman.

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

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

Dr. Edmondson: Yes, Senator.

Senator King: Both.

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

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

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

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

Senator King: Well, that's my --

Dr. Edmondson: Yeah.

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

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

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

Mr. Locher: Senator King, the -- as it turns out, a
cross-functional team could exist for 3 days, for 3 weeks, 3 months, 3 years --

Senator King: But, this statute talks --

Mr. Locher: -- or three decades.

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

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

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

Mr. Locher: It is not. It gives a broad mandate from the Congress, but then leaves it to the Secretary of Defense to identify which areas he's going to create mission teams in, or whether there are other priority outputs that he
wants to focus on. And he can disestablish those teams when
they've served their purpose. He could create others. He
could create many more teams than the six that are mandated
here.

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

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

Senator King: Exactly.

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

Senator King: A friend of mine once observed that
Freud said, "Anatomy is destiny," and Napoleon said, "War is
history." My friend said, "Structure is policy." And I
think that may be what we're talking about here, is, if you
have a structure that is overly bureaucratic and rigid, the
policy will be slow, cumbersome, and itself not responsive
to immediate problems. Is that a fair --

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

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

So, I appreciate your testimony very much.
Mr. Chairman, thank you for calling this important hearing.

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

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

Go ahead, Jim.

Mr. Locher: Mr. Chairman, one thing I should mention. I don't know how the National Defense Authorization Act is going to work out this year, but one thing that the committee can absolutely do is, when it has confirmation hearings next year for presidential appointed officials in the Department of Defense, I would insist that every person that comes is schooled on collaboration, cross-functional teams, modern organizational practice, and committed to their effective use in the Department of Defense. That's an area in which I would question them, and I'd make certain
that they're committed. And hopefully, they'll have this mandate in law to assist them. But, you do also have that hammer at the beginning of the next administration.

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

[Laughter.]

Chairman McCain: Do you want --

Senator Reed: I can't follow that.

[Laughter.]

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

Thank you, Mr. Chairman.

Chairman McCain: Thank you.

Hearing is adjourned.

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