



SECRETARY OF DEFENSE
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MEMORANDUM FOR CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF
DEFENSE

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
CHIEFS OF THE MILITARY SERVICES
CHIEF OF THE NATIONAL GUARD BUREAU
COMMANDANT OF THE COAST GUARD
COMMANDERS OF THE COMBATANT COMMANDS
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF COST ASSESSMENT AND PROGRAM EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
CHIEF INFORMATION OFFICER OF THE DEPARTMENT OF
DEFENSE
ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE AFFAIRS
ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC
AFFAIRS
DIRECTOR OF NET ASSESSMENT
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Department of Defense Reform Focus in 2020

The National Defense Strategy (NDS) requires relentless and ruthless prioritization in order to balance near-term challenges and prepare for great power competition, particularly given the fiscal realities confronting the Nation. Reforming the Department to free up time, money, and manpower is not optional – it is a strategic imperative if we are to modernize the Joint Force and improve its readiness and lethality.

The Department made important progress in recent months through the Defense-Wide (DW) Review, which generated more than \$5 billion in FY 2021 savings across the Defense Agencies, DoD Field Activities, and other organizations for reinvestment in readiness and lethality. Additionally, the Review identified more than \$2 billion in activities or functions that would be more effectively and efficiently run by the Military Departments. These savings, however, represent only a down payment on the level of effort needed to implement the NDS successfully. Reform is not a one-time initiative exclusive to DW accounts – prioritization, fiscal discipline, and continuous improvement must become the cultural norm rather than the exception.

Three reform areas will focus our efforts as we enter 2020:



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- (1) *DW Organizations Transition to Chief Management Officer (CMO) Governance:*
The CMO, operating under the Deputy Secretary's guidance, will be responsible for the business functions of DW organizations. The CMO will focus on reforming business processes, overseeing resource planning and allocation, and evaluating each DW organization's performance against business goals. The CMO will establish methods to strengthen oversight, continue reform momentum, and instill fiscal discipline across DW organizations and accounts. The CMO's immediate focus, in coordination with Director, Cost Assessment and Program Evaluation (CAPE) and the Under Secretary of Defense (USD) (Comptroller), will be to develop a consolidated FY 2022-2026 program and budget for the DW accounts. I expect DW leaders to provide their full support to the CMO's efforts, and I will ask for regular progress updates.
- (2) *Combatant Command Reviews:* I will lead a series of reviews with individual Combatant Commands in 2020, the intent of which is to focus on strategic priorities, harvest opportunities to reduce costs, and realign forces/manpower in order to support NDS priorities and rebuild readiness. I expect the USD for Policy, the Chairman of the Joint Chiefs of Staff, and the Combatant Commanders to team together in this effort, with the support of Service Support Agents, the USD (Comptroller), Director, CAPE, and other stakeholders as appropriate. This effort will require a standardized approach across all Combatant Commands, including a common baseline understanding of all tasks, missions, and overall resources and costs. Further, it will require options for policy and operational prioritization, as well as a clear-eyed assessment of risks and associated mitigation courses of action. The goal is to review all Combatant Commands in time to inform the FY 2022-2026 PBR. This effort should result in concrete reform implementation plans by the Combatant Commands, sharpened focus on NDS priorities, and, ultimately, a more comprehensive and resource-informed approach to managing the Department's military activities.
- (3) *Military Departments:* I expect Secretaries of the Military Departments and Service Chiefs to establish and execute aggressive reform plans, including detailed "clean-sheet" budget reviews, in order to free up resources to support NDS priorities – leveraging the same detailed methodology undertaken during the Defense-Wide Review. Military Department and Service leaders should dedicate necessary time and attention to prioritizing resources within their prescribed fiscal guidance, making tough choices, and relentlessly seeking more cost-effective ways of doing business. Military Department and Service leaders will brief me on their reform plans by the end of January and again in June 2020, and I will weigh their efforts as we enter into the FY 2022-2026 PBR next fall.

In short, I expect leaders across the Department to approach reform as an opportunity to support the strategy, rather than as a tax that can be avoided. To achieve full, irreversible implementation of the NDS, we must accomplish a mindset shift where leaders think critically about the optimal application of every dollar in their respective budgets to advance the strategy.

