



January 2019

# DEFENSE MANAGEMENT

## DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams

Accessible Version

# GAO Highlights

Highlights of [GAO-19-165](#), a report to congressional committees

## Why GAO Did This Study

DOD continues to confront organizational challenges that hinder collaboration. To address these challenges, section 911 of the NDAA for FY 2017 directed the Secretary of Defense to issue an organizational strategy that identifies critical objectives that span multiple functional boundaries; establish cross-functional teams to support this strategy and provide related guidance and training; and take actions to streamline the Office of the Secretary of Defense. Further, section 921 of the NDAA for FY 2019 calls for the Secretary of Defense to reform the department's enterprise business operations.

The NDAs for FY 2017 and 2019 also included provisions for GAO to assess DOD's actions in response to sections 911 and 921, respectively. This report assesses the extent to which DOD has made progress in (1) addressing the requirements of section 911, and (2) reforming the department's enterprise business operations under section 921. GAO reviewed documentation on DOD's implementation of sections 911 and 921; interviewed cross-functional team leaders, members, and other DOD officials; and compared DOD's implementation of its cross-functional teams to GAO's key practices.

## What GAO Recommends

GAO recommends that DOD establish a process to identify and prioritize funding for implementing its cross-functional teams' business reform initiatives. DOD concurred with this recommendation.

View [GAO-19-165](#). For more information, contact Elizabeth Field at (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov).

January 2019

## DEFENSE MANAGEMENT

### DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams

## What GAO Found

The Department of Defense (DOD) has implemented four statutory requirements in section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017, but has not addressed five requirements intended to support cross-functional teams and promote department-wide collaboration (see table).

**Status of Department of Defense's Implementation of Requirements in Section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017, as of December 2018**

Section 911 requirement	Statutory due date	Status
Award contract for a study on cross-functional teams	March 15, 2017	Completed
Provide the results of the study to Congress	July 15, 2017	Completed
Establish cross-functional teams	September 30, 2017	Completed
Issue report on cross-functional teams	June 23, 2018	Completed
Develop and issue an organizational strategy	September 1, 2017	Not completed
Issue guidance on cross-functional teams	September 30, 2017	Not completed
Streamline Office of the Secretary of Defense	June 23, 2018	Not completed
Provide training to cross-functional team members and their supervisors	Not specified	Not completed
Provide training to presidential appointees	Within 3 months of appointment	Not completed

Source: GAO analysis of the NDAA for Fiscal Year 2017 and Department of Defense information. | GAO-19-165

For two of these requirements, DOD has missed the statutory deadline by more than a year. GAO previously recommended that DOD take actions to improve its implementation of section 911, and DOD reported it is doing so, such as revising its draft cross-functional team guidance to address statutory requirements. Fully implementing GAO's prior recommendations and the remaining statutory requirements would better position DOD to effectively implement its cross-functional teams and advance a collaborative culture, as required by the NDAA.

Nine cross-functional teams are driving DOD's enterprise business reform efforts under section 921 of the FY 2019 NDAA, but the teams' progress has been uneven. As of September 2018, DOD reported that these nine teams were pursuing a total of 135 business reform initiatives. However, 104 of these initiatives have not reached the implementation phase. A key challenge facing the teams is that some lack resources to fully implement their approved initiatives. For example, DOD officials stated that the department did not fulfill four of nine funding requests from the teams in fiscal year 2018 to implement their initiatives. As of September 2018, DOD officials estimated that the teams need about \$6.7 billion to implement their initiatives from FYs 2018 through 2024, but DOD has not identified sources for this funding. GAO's prior work on efficiency initiatives found that up-front investments may be required to realize long-term savings. In addition, GAO's prior work on leading practices for implementing effective cross-functional teams highlights the importance of providing teams with access to resources and having well-defined team operations with established rules and procedures. However, DOD has not established a process for identifying and prioritizing available funding for implementing the teams' initiatives. Without such a process, DOD and the teams may not be able to adequately plan for and execute their reform initiatives.

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**Abbreviations**

CMO	Chief Management Officer
DOD	Department of Defense
NDAA	National Defense Authorization Act
OCMO	Office of the Chief Management Officer

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January 17, 2019

The Honorable James M. Inhofe  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Adam Smith  
Chairman  
The Honorable Mac Thornberry  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Department of Defense (DOD) has faced organizational, management, and cultural challenges that can limit effective and efficient collaboration across the department to accomplish departmental objectives. For example, our prior work found that DOD's efforts to implement a hierarchical, portfolio-based approach to strategically acquire contracted services had not been successful.<sup>1</sup> In part, we found that the cultural barriers and military commanders' reluctance to give up certain responsibilities for determining how and which services were needed to meet their missions hindered DOD's efforts. We have highlighted these challenges in additional reports, including our High-Risk report, which calls attention to agencies and program areas that are high risk because of their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of transformation.<sup>2</sup> Further, the National Defense Business

<sup>1</sup>GAO, *Defense Contracted Services: DOD Needs to Reassess Key Leadership Roles and Clarify Policies for Requirements Review Boards*, [GAO-17-482](#) (Washington, D.C.: Aug. 31, 2017). In this report, we recommended, and DOD concurred, that it needed to reassess the roles, responsibilities, authorities, and organizational placement of key leadership that had been established at the DOD and military department levels to lead this transformation.

<sup>2</sup>GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017). DOD currently manages seven of the areas we have designated as high risk: (1) Weapons systems acquisition, (2) supply chain management, (3) contract management, (4) financial management, (5) business systems modernization, (6) support infrastructure management, and (7) approach to business transformation.

Operations Plan for Fiscal Years 2018-2022 highlights that collaboration and communication among the Office of the Secretary of Defense, military services, and combatant commands are essential to ensuring the success of the readiness program across the department.

Section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017 contained multiple requirements to help advance a more collaborative culture within DOD.<sup>3</sup> DOD's Chief Management Officer (CMO) is leading the department's efforts to implement section 911.<sup>4</sup> This section directed the Secretary of Defense to do the following, among other things:

- Formulate and issue an organizational strategy for DOD. The organizational strategy, the act stated, should identify the critical objectives and other organizational outputs that span multiple functional boundaries and would benefit from the use of cross-functional teams to ensure collaboration and integration across the department.
- Establish cross-functional teams that, among other things, address the critical objectives and outputs outlined in the department's organizational strategy.
- Issue guidance on cross-functional teams and provide training to members of those established teams and their supervisors on elements of successful cross-functional teams.
- Provide training on leadership, modern organizational practice, collaboration, and the operation of cross-functional teams to individuals who have been appointed by the President and confirmed by the Senate to a position within the Office of the Secretary of Defense, or to request waivers from this requirement.
- Take actions—as the Secretary of Defense considers appropriate—to streamline the organizational structure and processes of the Office of the Secretary of Defense.

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<sup>3</sup>Pub. L. No. 114-328, § 911 (2016).

<sup>4</sup>Prior to February 2018, the Deputy Chief Management Officer led the department's efforts to implement section 911 of the NDAA for Fiscal Year 2017. The CMO assumed these responsibilities effective February 1, 2018, in accordance with section 910 of the NDAA for Fiscal Year 2018, which disestablished the position of the Deputy Chief Management Officer as a presidentially-appointed, Senate-confirmed position and established the CMO position.

Section 911 of the NDAA for Fiscal Year 2017 also included a provision for us—every 6 months after the date of enactment on December 23, 2016, through December 31, 2019—to submit a report to the defense committees. This report is to set forth a comprehensive assessment of the actions that DOD has taken pursuant to section 911 during each 6-month period and cumulatively since the NDAA’s enactment. We have issued three reports to date. In our first report, issued in June 2017, we found that DOD had taken steps in several areas to begin implementing the requirements of section 911.<sup>5</sup> In our second report, issued in February 2018, we found that DOD had implemented some of the statutory requirements outlined in section 911, but could do more to promote department-wide collaboration, as required under the statute.<sup>6</sup> We recommended, and DOD concurred, that the CMO take four actions to improve the department’s implementation of section 911. In our third report, issued in June 2018, we found that DOD had taken additional steps in response to section 911, but still had not implemented several requirements intended to support cross-functional teams and promote department-wide collaboration.<sup>7</sup> Appendix I identifies these three reports, including the four recommendations from our February 2018 report and the status of DOD’s implementation of those recommendations.

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<sup>5</sup>GAO, *Defense Management: DOD Has Taken Initial Steps to Formulate an Organizational Strategy, but These Efforts Are Not Complete*, [GAO-17-523R](#) (Washington, D.C.: June 23, 2017). We reported that (1) DOD was exploring options for providing the required training to presidential appointees; (2) DOD awarded a contract for a study on leading practices for cross-functional teams; and (3) DOD was taking initial steps to develop an organizational strategy. We did not make recommendations in this report.

<sup>6</sup>GAO, *Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration*, [GAO-18-194](#) (Washington, D.C.: Feb. 28, 2018). We reported that (1) DOD’s draft organizational strategy did not address all elements required by statute; (2) DOD had established one cross-functional team, and that draft team guidance addressed most statutory elements and leading practices for implementing cross-functional teams; and (3) DOD had developed, but not provided, training for its presidential appointees and cross-functional team members, but the training for the presidential appointees did not address all statutory requirements.

<sup>7</sup>GAO, *Defense Management: DOD Senior Leadership Has Not Fully Implemented Statutory Requirements to Promote Department-Wide Collaboration*, [GAO-18-513](#) (Washington, D.C.: June 25, 2018). We reported that (1) DOD had established 10 cross-functional teams that were in various stages of implementation; (2) DOD had updated, but not issued, its draft organizational strategy; and (3) DOD had not fulfilled three statutory requirements related to guidance and training for cross-functional teams and presidential appointees. We did not make recommendations in this report because DOD was taking actions to address the recommendations from our February 2018 report.

This report is our fourth on DOD's implementation of section 911 of the NDAA for Fiscal Year 2017. In addition, this report addresses a new provision related to DOD reform, contained in section 921 of the John S. McCain NDAA for Fiscal Year 2019 (hereafter referred to as the NDAA for Fiscal Year 2019). Section 921 requires the Secretary of Defense, acting through the CMO, to reform the enterprise business operations of the department through reductions, eliminations, or improvements across all organizations and elements of DOD with respect to any activity related to civilian resources management, logistics management, services contracting, or real estate management to increase effectiveness and efficiency of mission execution.<sup>8</sup> We are required to submit a report by May 2019, setting forth an assessment of DOD's actions pursuant to the provision.<sup>9</sup> Because we determined that DOD's efforts to establish cross-functional teams dedicated to improving the department's business operations are closely linked to the section 921 requirements, we are combining our assessment of DOD's actions related to both sections 911 and 921 in this report.

In this report, we assess the extent to which DOD has made progress in implementing (1) the section 911 requirements related to DOD's organizational strategy and cross-functional teams and (2) the section 921 requirements to reform the enterprise business operations of the department.

For the first objective, we reviewed documentation and interviewed OCMO and other DOD officials on the department's efforts to finalize its draft organizational strategy; establish cross-functional teams; provide guidance on cross-functional teams; provide training to cross-functional team members, their supervisors, and presidential appointees; report on the establishment of cross-functional teams; and take actions to streamline the organizational structure and processes of the Office of the Secretary of Defense. We evaluated DOD's efforts against the requirements in section 911 of the NDAA for Fiscal Year 2017.

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<sup>8</sup>Pub. L. No. 115-232, § 921 (2018). Section 921 requires DOD to reform the enterprise business operations of the department no later than January 1, 2020, and at least every 5 years thereafter. The CMO is required to submit a report to the congressional defense committees that describes the activities carried out by the CMO under this section during the preceding 5 years, no later than January 1 of every fifth calendar year beginning with January 1, 2025.

<sup>9</sup>See Pub. L. No. 115-232, § 921(b)(6)(B) (2018).



For the second objective, we reviewed documentation and interviewed OCMO and other DOD officials on the department's efforts to reform the enterprise business operations of the department, as required by section 921 of the NDAA for Fiscal Year 2019. We also reviewed department-wide goals, objectives, and performance measures for business reform in key strategic documents, including the National Defense Business Operations Plan for Fiscal Years 2018-2022, the Fiscal Year 2019 DOD Annual Performance Plan, and the Report to Congress on Restructuring the DOD Acquisition, Technology, and Logistics Organization and CMO Organization. In addition, we conducted interviews with the leaders and members from the nine cross-functional teams dedicated to improving the department's business operations and analyzed the information from these meetings. We interviewed team members separately from team leaders to encourage candid discussion about the operations of the teams. Two GAO analysts independently reviewed interviewees' responses to our questions to code them in terms of leading practices for implementing effective cross-functional teams that we have identified in our prior work. The analysts then compared how they coded the statements. Where there was disagreement in the coding, the analysts discussed their analyses and tried to reach a consensus. In cases where they could not reach a consensus, a third analyst decided how the information should be coded. In addition, we reviewed OCMO's efforts to oversee the teams' progress, including observing a demonstration of the dashboard used to monitor the teams' metrics. We compared this information to leading practices for implementing effective cross-functional teams<sup>10</sup> and key practices for implementing efficiency initiatives that we have identified in our prior work.<sup>11</sup>

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<sup>10</sup>We previously reported on eight leading practices for implementing effective cross-functional teams. See [GAO-18-194](#). We identified these leading practices by reviewing literature and case studies on the use of cross-functional teams in the private and public sectors, as well as interviewing six academic and practitioner experts. Leading practices for effective cross-functional teams are aligned with leading practices for interagency collaboration. See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

<sup>11</sup>GAO, *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011). To identify the key practices, we synthesized practices identified by federal and state officials and also compared them with leading practices identified in the Government Performance and Results Act (GPRA) of 1993 and the GPRA Modernization Act of 2010, relevant literature, and past GAO reports on organizational transformation, management integration, efficiency measures, and tracking and reporting agency results.

We conducted this performance audit from May 2018 to January 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## DOD Has Made Limited Progress since June 2018 in Addressing Remaining Statutory Requirements and Is Reducing the Number of Cross-Functional Teams It Considers Responsive to Section 911

### DOD Has Addressed One Statutory Requirement since June 2018, but Has Not Addressed Five Remaining Requirements

DOD has addressed one additional statutory requirement of section 911 of the NDAA for Fiscal Year 2017 since our June 2018 report. However, DOD has still not addressed five other requirements, including (1) issuing its organizational strategy, (2) issuing guidance on cross-functional teams, (3) providing training on cross-functional teams for team members and their supervisors, (4) providing training for presidential appointees, and (5) taking actions to streamline the Office of the Secretary of Defense, as shown in table 1.<sup>12</sup>

**Table 1: Recently Addressed and Remaining Statutory Requirements from Section 911 of the National Defense Authorization Act for Fiscal Year 2017**

Requirement	Due date	Status of Department of Defense actions, as of December 2018
Issue organizational strategy	September 1, 2017	Not yet completed
Issue guidance on cross-functional teams	September 30, 2017	Not yet completed

<sup>12</sup>Appendix II lists the requirements of section 911 of the NDAA for Fiscal Year 2017, the corresponding due date, and the date completed, if applicable, for each requirement as of December 2018.

Requirement	Due date	Status of Department of Defense actions, as of December 2018
Issue report on the establishment of cross-functional teams	June 23, 2018	Submitted on June 21, 2018
Take actions to streamline the organizational structure and processes of the Office of the Secretary of Defense	June 23, 2018	Not yet completed
Training for cross-functional team members and their supervisors	Not specified	Not yet completed
Training for presidential appointees	Within 3 months of appointment <sup>a</sup>	Not yet completed

Source: GAO analysis of section 911 of the National Defense Authorization Act for Fiscal Year 2017 and Department of Defense information. | GAO-19-165

Note:

<sup>a</sup>As of January 2, 2019, 23 of 35 presidential appointees in the Office of the Secretary of Defense had been in their positions for more than 3 months.

DOD addressed one of the statutory requirements in section 911 by submitting a report to Congress on the establishment of cross-functional teams on June 21, 2018. The report described the number of cross-functional teams established to date and the design and function of those teams, consistent with the requirements in section 911.

OCMO officials told us that DOD plans to address three of the five remaining requirements by March 2019. Specifically, the department plans to take the following actions.

- *Issue DOD’s organizational strategy.* DOD has drafted, but not issued, its organizational strategy, which section 911 required to be issued by September 1, 2017. In June 2018, we reported that OCMO officials had revised the draft strategy to address the recommendation from our February 2018 report, including identifying potential action steps for the department that align with our leading practices for mergers

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and organizational transformations.<sup>13</sup> OCMO officials have again revised the draft organizational strategy, incorporating, among other things, the criteria that distinguish cross-functional teams established under section 911 from other cross-functional working groups, committees, integrated product teams, and task forces, as required by section 918 the NDAA for Fiscal Year 2019.<sup>14</sup> The officials said they expect the Secretary of Defense to issue the strategy in March 2019—18 months later than required by section 911.

- *Take actions to streamline the Office of the Secretary of Defense.* OCMO officials have revised the draft organizational strategy to identify the actions the department has taken that it views as responsive to this requirement. For example, the draft strategy states that DOD has delegated authority to approve certain global force management actions to the Chairman of the Joint Chiefs of Staff and certain acquisition oversight functions to the military departments. Section 911 required DOD to take these actions by June 23, 2018. As noted above, however, the organizational strategy has not been finalized. We will assess these actions against the requirements of section 911 after the organizational strategy has been issued.
- *Issue guidance on cross-functional teams.* DOD has drafted, but not issued, guidance on cross-functional teams, which section 911 required to be issued by September 30, 2017. In June 2018, we reported that OCMO officials had revised the draft guidance to address the recommendation from our February 2018 report.<sup>15</sup> OCMO officials stated that they have no other planned revisions and that they

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<sup>13</sup>[GAO-18-513](#). We identified leading practices and implementation steps for mergers and organizational transformations that can help agencies transform their cultures so that they are more results-oriented, customer-focused, and collaborative. The leading practices include: (1) ensure top leadership drives the transformation; (2) establish a coherent mission and integrated strategic goals to guide the transformation; (3) focus on a key set of principles and priorities at the outset of the transformation; (4) set implementation goals and a timeline to build momentum and show progress from day one; (5) dedicate an implementation team to manage the transformation process; (6) use the performance management system to define responsibility and assure accountability for change; (7) establish a communication strategy to create shared expectations and report related progress; (8) involve employees to obtain their ideas and gain their ownership for the transformation; and (9) build a world-class organization. See GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (July 2, 2003).

<sup>14</sup>Pub. L. No. 115-232, § 918(b)(1) (2018).

<sup>15</sup>[GAO-18-513](#).

expect the Secretary of Defense to issue the guidance in March 2019—18 months later than required by section 911.

Further, OCMO officials told us that DOD plans to finalize the draft curricula and provide training to fulfill two additional section 911 requirements after the organizational strategy is issued.

- *Training for cross-functional team members and their supervisors.* OCMO has not provided the required training to cross-functional team members and their supervisors. OCMO officials stated that they plan to send the draft training curriculum for cross-functional team members and their supervisors to the Secretary after they send the strategy. In February 2018, we reported that the draft training curriculum addressed the section 911 requirements; OCMO officials told us they plan no further revisions to the curriculum.<sup>16</sup> After the Secretary approves the curriculum, the officials stated, they plan to offer the training to cross-functional team members. Some cross-functional team members we met with stated that receiving training on cross-functional teams earlier would have been helpful for them to understand how to operate in a cross-functional team environment, such as reporting to both the team leader and to their home organization.
- *Training for presidential appointees.* OCMO has not provided the required training to individuals filling presidentially-appointed, Senate-confirmed positions in the Office of the Secretary of Defense. Section 911 requires these individuals to complete the training within 3 months of their appointment, or for DOD to request waivers. However, as of January 2, 2019, 23 of 35 such officials had been in their positions for more than 3 months, and none had received the training or been granted a training waiver.<sup>17</sup> In our February 2018 report, we found that the draft curriculum met only one of the four required elements in section 911.<sup>18</sup> We recommended, and DOD concurred,

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<sup>16</sup>[GAO-18-194](#).

<sup>17</sup>Pub. L. No. 114-328, § 911(f)(2) (2016) permits the President to waive the training requirement if the Secretary of Defense determines that the individual possesses, through training and experience, the skill and knowledge to be provided through the required training.

<sup>18</sup>[GAO-18-194](#). Section 911 requires the training to include the following four elements: (1) leadership, (2) modern organizational practice, (3) collaboration, and (4) the operation of cross-functional teams. In February 2018, we reported that the draft training curriculum addressed only one of the required elements—the element about the operation of cross-functional teams.

that the CMO should either (1) provide training that includes all of the required elements in section 911 or (2) develop criteria for obtaining a waiver and have the Secretary of Defense request such a waiver from the President for these required elements. In October 2018, an OCMO official stated that OCMO had revised the draft training curriculum for presidential appointees to include all of the required elements in section 911. The official also stated that OCMO plans to send the draft training curriculum to the Secretary of Defense for review after OCMO sends the organizational strategy. Once the curriculum is approved, the official stated that OCMO plans to recommend to the Secretary of Defense that all presidential appointees in the Office of the Secretary of Defense receive the training and does not plan to request waivers.

As described above, we have previously recommended that DOD take actions to improve its implementation of the section 911 requirements related to the organizational strategy, guidance, and training. As we have reported before, addressing our recommendations and fully implementing the remaining requirements would better position DOD to effectively implement its cross-functional teams and advance a collaborative culture, as required by the NDAA. We will continue to monitor DOD's progress in addressing these statutory requirements and our related recommendations.

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### DOD Plans to Establish One Cross-Functional Team, Disestablish Another, and Will No Longer Consider Nine Business Reform Teams as Responsive to Section 911

DOD is establishing a new cross-functional team to address growing challenges in the electronic warfare mission area.<sup>19</sup> Section 918 of the NDAA for Fiscal Year 2019 requires DOD to establish this cross-functional team by November 11, 2018, to identify gaps in electronic warfare and joint electromagnetic spectrum operations, capabilities, and capacities within the department across personnel, procedural, and equipment areas.<sup>20</sup> In January 2019, an OCMO official stated that the Office of the Under Secretary of Defense for Acquisition and Sustainment

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<sup>19</sup>Electronic warfare is military action involving the use of electromagnetic and directed energy to control the electromagnetic spectrum or to attack the enemy. See DOD, *DOD Dictionary of Military and Associated Terms* (as of September 2018).

<sup>20</sup>Pub. L. No. 115-232, §§ 918 and 1053 (2018).

had drafted the team's charter and that it had been sent to the Secretary of Defense for review and approval.<sup>21</sup>

In addition, DOD plans to disestablish the first cross-functional team established in response to section 911 to address challenges with personnel vetting and background investigations. This team was responsible for managing the transfer of background investigations for certain DOD personnel from the Office of Personnel Management to DOD.<sup>22</sup> However, Office of the Under Secretary of Defense for Intelligence officials stated that DOD plans to subsume the roles and responsibilities of the team into a new Personnel Vetting Transformation Office. According to the officials, the new office will be responsible for managing the administration's proposed transfer of background investigations for all executive branch personnel from the Office of Personnel Management to DOD.<sup>23</sup> As a result, the cross-functional team's roles and responsibilities would overlap with those of the Personnel Vetting Transformation Office, the officials stated. The officials expect to formally disestablish the cross-functional team in the first quarter of fiscal year 2019 after DOD issues the charter for the Personnel Vetting Transformation Office.

Last, DOD continues to implement its nine cross-functional teams dedicated to reforming and improving business operations, but plans to no longer consider these teams as responsive to section 911. The National Defense Business Operations Plan for Fiscal Years 2018-2022,

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<sup>21</sup>Section 1053 of the NDAA for Fiscal Year 2019 requires DOD to designate a senior official to oversee the cross-functional team and serve as an ex-officio member of the Electronic Warfare Executive Committee established in March 2015. Pub. L. No. 115-232, § 1053 (2018).

<sup>22</sup>In August 2017, the Secretary of Defense issued a memorandum authorizing a cross-functional team to address challenges with personnel vetting and background investigation programs. The cross-functional team was established to assist with the transition of background investigations for certain DOD personnel from the Office of Personnel Management's National Background Investigations Bureau to DOD's Defense Security Service. Section 925 of the NDAA for Fiscal Year 2018 required DOD to implement a phased transition plan to transfer the conduct of background investigations of certain DOD personnel from the Office of Personnel Management to DOD. Pub. L. No. 115-91, § 925 (2017).

<sup>23</sup>The President's Reform Plan and Reorganization Recommendations proposed transferring background investigations for all executive branch personnel from the Office of Personnel Management to DOD. See Office of Management and Budget, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations* (Washington, D.C.: June 21, 2018).

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issued in May 2018, stated that these teams were established pursuant to section 911.<sup>24</sup> As of October 2018, however, DOD's draft organizational strategy states that these teams were not established in response to section 911. Instead, it describes them as a second layer of cross-functional coordination that will aid in ensuring broader implementation of collaborative and team-oriented practices in the department. We describe these teams' efforts to improve DOD's enterprise business operations below and in appendix III.

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## DOD's Enterprise Business Reform Is Largely Driven by Nine Cross-Functional Teams, but Progress Has Been Uneven

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### Nine Cross-Functional Teams Are Key to DOD's Enterprise Business Reform

The National Defense Business Operations Plan for Fiscal Years 2018-2022 highlights nine cross-functional teams as key mechanisms for implementing the plan's strategic objective to improve and strengthen business operations through a move to enterprise or shared services. From October 2017 through January 2018, the Deputy Secretary of Defense, at the direction of the Secretary, established these nine teams to implement initiatives intended to improve the quality and productivity of the department's business operations, including moving toward more use of enterprise services. According to memoranda appointing the team leaders, the teams support the Secretary of Defense's focus on creating a more lethal and effective force by allowing the department to reallocate resources from business operations to readiness and to recapitalization of the combat force. These nine teams—hereafter referred to as business reform teams and whose leaders report to the CMO—address community services management, financial management, health care management, human resources, information technology and business systems, real property management, service contracts and category management,

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<sup>24</sup>The National Defense Business Operations Plan presents the department's priority business operation goals and objectives with specific and measurable priority and performance goals. The plan includes three strategic goals for business operations: (1) rebuild military readiness as DOD builds a more lethal joint force; (2) strengthen alliances and attract new partners; and (3) reform the department's business practices for greater performance and affordability.



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supply chain and logistics, and testing and evaluation.<sup>25</sup> They are described in more detail in appendix III.

The Fiscal Year 2019 DOD Annual Performance Plan identifies performance goals and measures to achieve the strategic goals and objectives described in the National Defense Business Operations Plan, including the goal of reforming the department's business practices.<sup>26</sup> It designates several business reform team leaders as responsible for meeting the performance goals and associated performance measures. For example, the leader of the information technology and business systems reform team is responsible for the performance goal to transform how the department delivers secure, stable, and resilient information technology infrastructure in support of warfighter lethality. This goal is consistent with the team's overarching objective to plan and execute the transformation of all business systems affecting support areas within the department.

The Annual Performance Plan's objectives and timeframes related to the business reform teams, however, do not fully align with some of the initiatives that the teams are pursuing. For example, according to the plan, the leader of the community services management team is responsible for developing a strategic plan for armed forces retirement home reform by the second quarter of 2018. However, according to a list of the team's current initiatives as of September 2018, the team was not pursuing this initiative. In October 2018, OCMO officials stated that Washington Headquarters Service is currently leading the armed forces retirement home reform effort. When we asked these officials how they view the relationship between performance measures in the plan and those of the business reform teams' initiatives, they acknowledged that the teams' initiatives have evolved since the plan's development and that the teams have identified additional initiatives that may not be reflected in the plan. They also noted that OCMO drafted the content for the Fiscal Year 2019 DOD Annual Performance Plan before most of the teams were fully staffed and operational. As of October 2018, the officials stated that OCMO was coordinating with the team leaders to review the Fiscal Year 2019 DOD Annual Performance Plan and, as appropriate, to modify or

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<sup>25</sup>The CMO is responsible for managing DOD's enterprise business operations on behalf of the Secretary of Defense, among other responsibilities, pursuant to section 910 of the NDAA for Fiscal Year 2018. Pub. L. No. 115-91, § 910 (2017).

<sup>26</sup>The Fiscal Year 2019 Annual Performance Plan is an appendix to the National Defense Business Operations Plan for Fiscal Years 2018-2022.

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develop new performance measures and targets for the Fiscal Year 2020 DOD Annual Performance Plan. Given DOD's efforts to address this issue, we are not making a recommendation at this time, but will continue to monitor their efforts as part of our ongoing work on the high-risk nature of DOD's business transformation efforts.

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### The Progress of the Business Reform Teams Has Been Uneven, and Some Teams Lack Resources to Fully Implement Their Initiatives

DOD has made some progress establishing and organizing the business reform teams, but implementation of the teams' initiatives has been uneven. We found that implementation of the business reform teams has demonstrated some key characteristics of leading practices for implementing effective cross-functional teams that we have identified in our prior work.<sup>27</sup> For example, across all the teams we spoke with, members were responsible for leading the development of their team's initiatives and communicating with their home organizations to obtain input, demonstrating a well-defined team structure. In addition, the business reform teams are structured to facilitate open and regular communication, another leading practice. For example, the teams are generally co-located with each other, which enables direct communication among team members and between teams, members stated. Further, members from most of the teams we spoke with were supportive of their team leaders and viewed them as effective in their roles, demonstrating an inclusive team environment. Team leaders across all teams also stated that they regularly interact with senior management, such as through weekly one-on-one meetings with the CMO or Deputy CMO. This engagement reflects a key characteristic that states team leaders should regularly interact with senior management.

However, we found that the business reform teams' efforts have not proceeded according to early plans outlined by the department. DOD's August 2017 report to Congress on restructuring the CMO organization stated that the teams were intended to help modify processes to move

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<sup>27</sup>See [GAO-18-194](#). In this report, we identified eight leading practices associated with effective cross-functional teams: (1) open and regular communication, (2) well-defined team goals, (3) inclusive team environment, (4) senior management support, (5) well-defined team structure, (6) autonomy, (7) committed cross-functional team members, and (8) an empowered cross-functional team leader. These leading practices and their related key characteristics are reproduced in appendix IV.

toward enterprise service delivery.<sup>28</sup> According to the report, the department would transition to DOD enterprise services by the end of fiscal year 2018. In July 2018, OCMO officials acknowledged that they were behind schedule, but told us they expected to catch up to this deadline by the end of fiscal year 2018, as originally planned. That deadline was not realized. According to OCMO officials, the teams are identifying new milestones for implementing initiatives, some of which will contribute to a move toward enterprise services.

In addition, the business reform teams vary in the number of initiatives they are pursuing. As of September 2018, OCMO reported that the teams were pursuing a total of 135 initiatives and that the number of initiatives per team ranged from 2 to 38. For example, the community services management team was developing 2 initiatives—1 to examine the feasibility of merging DOD’s three military exchange services and the Defense Commissary Agency into a single resale enterprise, and the other to streamline the inventory of DOD lodging.<sup>29</sup> In contrast, the supply chain and logistics team was developing 21 short- and long-term initiatives, such as reducing the footprint of underutilized warehouses and developing better data interoperability throughout the supply chain and logistics enterprise.<sup>30</sup>

Further, the teams’ progress in advancing their initiatives to the implementation and monitoring phase has varied. The Reform Management Group oversees the business reform teams. The Deputy Secretary of Defense chairs the Reform Management Group, and the

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<sup>28</sup>Section 901 of the NDAA for Fiscal Year 2017 required DOD to conduct a review and identify a recommended organizational and management structure for DOD that, among other things, implements the Under Secretary of Defense for Research and Engineering, Under Secretary of Defense for Acquisition and Sustainment, and Chief Management Officer positions. Pub. L. No. 114-328, § 901 (2016).

<sup>29</sup>Community services include those functions on a military installation that affect quality of life for members and their families, such as exchanges and commissaries; lodging and facilities; morale, welfare, and recreation activities; and DOD schools.

<sup>30</sup>The DOD supply chain is a global network that provides materiel, services, and equipment to the joint force.

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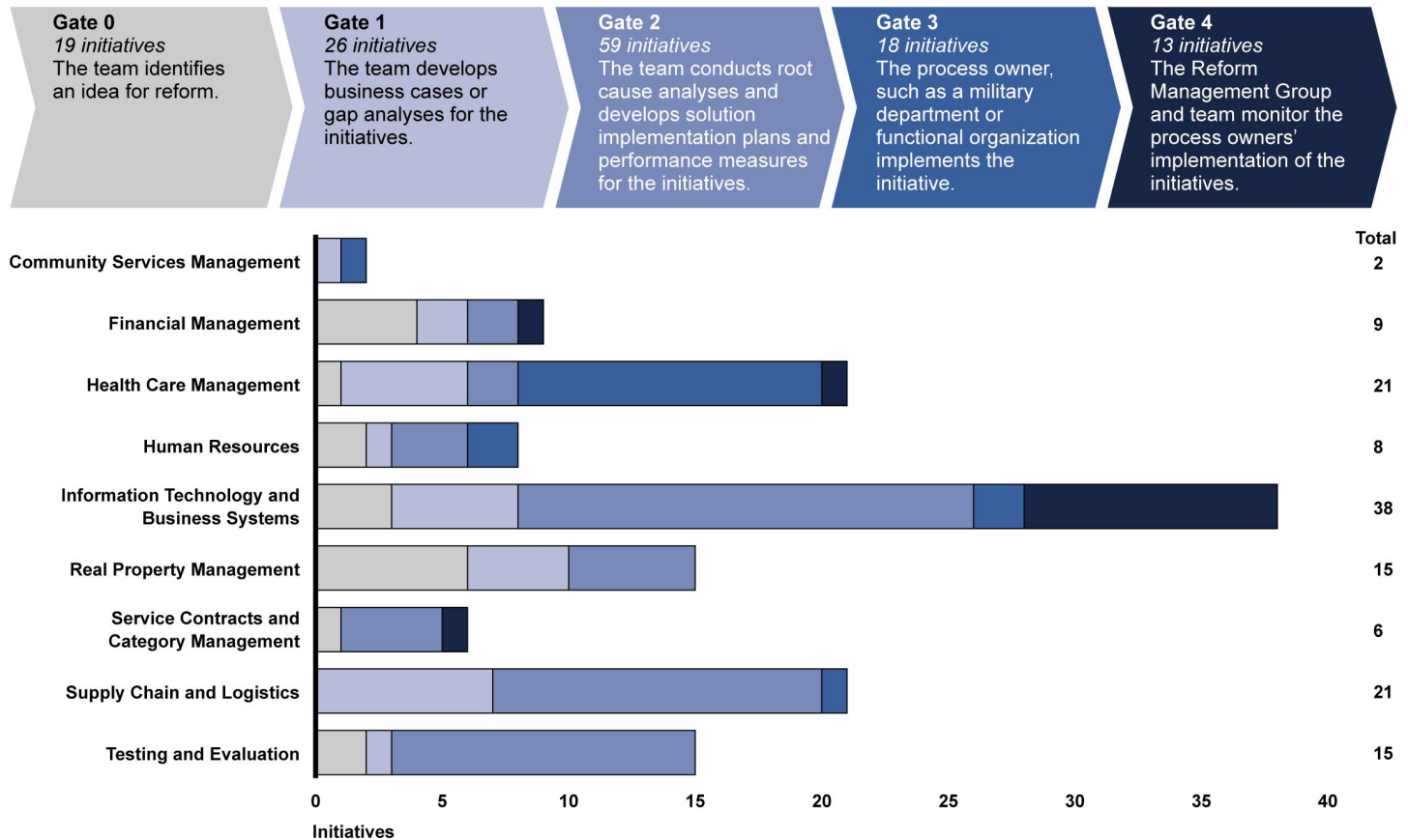
CMO facilitates regular meetings of the group.<sup>31</sup> The Reform Management Group authorizes the business reform teams to proceed with their initiatives through five gates—0 through 4. These gates trace initiatives from conception to implementation and monitoring. Before proceeding from one gate to the next, the teams must submit certain deliverables to the Reform Management Group for review and approval. For example, before an initiative can proceed to gate 1, OCMO requires the teams to submit a charter for the initiative, which can identify, among other things, the problem or opportunity statement, the project scope, expected outcomes and risk analysis, and preliminary performance measures.<sup>32</sup> Figure 1 provides an overview of the five gates and the status of initiatives by gate, as of September 2018.

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<sup>31</sup>According to OCMO officials, additional members of the Reform Management Group consist of the Chief Management Officer, Under Secretary of Defense for Research and Engineering, Under Secretary of Defense for Acquisition and Sustainment, Under Secretary of Defense for Comptroller/Chief Financial Officer, Under Secretary of Defense for Personnel and Readiness, Director of Cost Assessment and Program Evaluation, Assistant Secretary of Defense for Legislative Affairs, Assistant to the Secretary of Defense for Public Affairs, DOD Chief Information Officer, Joint Staff, Under Secretary of the Army, Under Secretary of the Navy, Under Secretary of the Air Force, Chief of the National Guard Bureau, and leaders of the business reform teams. Initially, the CMO and Director of Cost Assessment and Program Evaluation co-facilitated the Reform Management Group. In October 2018, the Director of Cost Assessment and Program Evaluation told us that he recently stopped attending Reform Management Group meetings because of competing demands on his time. However, a senior OCMO official stated that Cost Assessment and Program Evaluation still maintains high-level participation on the Reform Management Group.

<sup>32</sup>In September 2018, we reported that the human resources management business reform team lacked comprehensive information on overhead costs that could guide reform and did not have time frames or deliverables for completing certain reform initiatives. We recommended that the team collect information on overhead costs charged by all DOD human resources services providers and identify time frames and deliverables for identifying and adopting optimal information technology solutions for human resources. DOD concurred with and plans to take steps to address our recommendations. GAO, *Defense Management: DOD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DOD Field Activities*, [GAO-18-592](#) (Washington, D.C.: Sept. 6, 2018).

**Figure 1: Department of Defense Office of the Chief Management Officer Gating Process for Business Reform Initiatives and the Status of Initiatives (Total and by Team), as of September 2018**



Source: GAO analysis of Department of Defense information. | GAO-19-165

As shown in figure 1, while some teams have successfully advanced several initiatives to gate 4, others have not yet progressed initiatives past gate 2. Specifically, as of September 2018, DOD reported that 104 of the teams' 135 initiatives had not yet reached gate 3, the implementation phase. According to the teams we interviewed, several factors may affect the progress of an initiative, such as its complexity or a team's approach to developing initiatives. For example, the community services management team leader stated that the team is primarily focused on the consolidation of the defense commissaries and exchanges, an initiative that is relatively large in scope and complexity. According to the team leader, this initiative involves a number of internal stakeholders, including all of the military services, as well as outreach to external stakeholders, such as veterans' organizations. In addition, the leader stated that the team would need legislative changes to fully implement the initiative. As a

result of the large scope and complexity, the leader expects the initiative to take longer to implement than others. Some teams have pursued a proof-of-concept approach to developing their initiatives, which involves pilots to test initiatives to prove their value prior to department-wide implementation. For example, the health care management team is conducting a regional pilot to test the feasibility of consolidating the purchasing of services across the military health system.

DOD has asserted that some of its initiatives have produced benefits through savings or efficiencies. For example, according to a September 2018 DOD report on the department's investments in support of the National Defense Strategy, the department achieved \$1.61 billion in benefits by implementing private-sector best practices in purchasing goods and service contracts in the Air Force and defense agencies.<sup>33</sup> In addition, DOD reported that the department saved \$297 million through commercial information technology solutions, department-wide network management, and optimized data centers. Further, according to the report, consolidating four health care enterprises improved patient care and medical readiness, with an estimated savings of more than \$2.5 billion annually by 2023. OCMO officials stated that they are still in the process of working with the Office of the Under Secretary of Defense for Comptroller to document savings generated from the business reform teams' initiatives. Given that OCMO officials stated they are taking steps to document savings generated from the teams' initiatives, we are not making a recommendation at this time, but will continue to monitor their efforts as part of our ongoing work on the high-risk nature of DOD's business transformation efforts.

One senior DOD official involved in the reform effort acknowledged that the teams' progress has been uneven. He cited a number of factors that can affect teams' implementation, including the degree to which the teams have support from the highest levels of department leadership to operate independently and advance changes that may be unpopular with internal or external stakeholders, and the ability of teams to tackle longstanding systemic challenges, such as inaccurate cost data throughout the department. This official and several teams we met with cited the importance of the team leader's commitment to driving team success.

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<sup>33</sup>DOD, *Providing for the Common Defense - A Promise Kept to the American Taxpayer* (September 2018).

We found that uncertainty with funding for initiatives may be an additional factor inhibiting some teams' progress. In some cases, the business reform teams need funding to further develop and implement their initiatives, such as the supply chain and logistics team's requirement for \$2.4 million to conduct a pilot project that included conducting three site visits for warehouse and labor assessments in support of one of its initiatives. According to OCMO officials, the business reform teams can request funding from OCMO to further develop their initiatives, or if funding is not available from OCMO, the teams can seek funding from functional organizations. However, even in the early stages of their implementation, some teams told us that they did not have access to sufficient funding to fully develop and implement some of their approved initiatives or that the process for obtaining the funding was uncertain.<sup>34</sup> For example, in June 2018, one team leader told us that the team did not have sufficient funding to implement four initiatives. The leader also stated that the team was not alerted to the lack of funding until immediately prior to its planned implementation of these initiatives. Members from another team stated that the Reform Management Group wanted the team to implement its initiatives more quickly, which increased the amount of funding the team needed for implementation. When the team requested additional funding, however, OCMO did not have it available. Further, OCMO officials told us that the teams submitted nine requests for funding in fiscal year 2018, but OCMO did not have funding to support four of these requests as of the end of fiscal year 2018.<sup>35</sup>

As the teams continue to develop and implement their initiatives, the number of requests for funding may increase in the future. Our prior work on efficiency initiatives has found that up-front investments may often be required to realize long-term efficiencies and savings.<sup>36</sup> In this regard, OCMO officials told us that, as of September 2018, the nine teams had planned investments of about \$6.7 billion to implement their initiatives from fiscal years 2018 through 2024. OCMO officials stated that this amount is a projection from the teams, and DOD has not yet identified sources for this funding. In addition, officials stated that more investment

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<sup>34</sup>Some teams told us that they had received the funding they needed or that they had not yet needed funding.

<sup>35</sup>OCMO did not have funding to support two requests from the information technology and business systems team and two from the real property management team, according to a list of funding requests maintained by OCMO.

<sup>36</sup>See [GAO-11-908](#).

could be needed as the teams continue to develop initiatives and more enter the implementation phase. However, according to DOD's budget materials for fiscal year 2019, requested funding for OCMO—a source used to fund the development of some of the teams' initiatives—will decrease from about \$48 million in fiscal year 2018, to about \$36 million in fiscal year 2019.

Leading practices for implementing effective cross-functional teams highlight the importance of senior management providing teams with access to resources.<sup>37</sup> These leading practices also state that teams should have well-defined team operations with established rules and procedures. Further, the findings from a study contracted by DOD in August 2017 to determine how best to implement effective cross-functional teams identified actions for DOD to consider for supporting the implementation of its cross-functional teams, including identifying funding mechanisms to fully support cross-functional teams.<sup>38</sup> The study suggested that language outlining the preferred mechanisms and authorities for this purpose can be included in cross-functional team guidance.

OCMO officials told us that the office maintains a list of funding requests from the teams and prioritizes which initiatives to fund based on several factors including estimated yield, feasibility, and available resources for implementation. However, OCMO did not have a process for identifying and prioritizing available funding for implementing the initiatives planned by the business reform teams for fiscal year 2018, and has not established one for fiscal year 2019. According to OCMO officials, the department initially planned to use available funding from OCMO or the savings generated by the initiatives to fund the development and implementation of other initiatives. However, OCMO officials have since recognized that funding is needed and they are in the early stages of developing an approach to do so. Specifically, OCMO officials said they

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<sup>37</sup>See [GAO-18-194](#).

<sup>38</sup>Section 911(b) of the NDAA for Fiscal Year 2017 required DOD to award a contract for a study to determine how to best implement effective cross-functional teams in DOD. DOD awarded the contract to McKinsey & Company, a global management consulting firm that works with private, public, and social-sector institutions. McKinsey & Company's study for DOD presented findings on leading practices for implementing cross-functional teams that were drawn from a literature review, DOD and non-DOD case studies, and interviews. See McKinsey & Company, *Harnessing the Power of Cross-Functional Teams within the Department of Defense* (Washington, D.C.: Aug. 15, 2017).



are working with the Office of the Under Secretary of Defense for Comptroller to identify funding for initiatives in fiscal year 2020. While there will likely be initiatives that cannot be funded given limited resources, OCMO and the reform teams could benefit from a clear process for identifying and prioritizing available funding. Without such a process, OCMO and the reform teams may not be able to adequately plan for and execute their initiatives.

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## Conclusions

Section 911 of the NDAA for Fiscal Year 2017 called for organizational and management reforms to assist DOD in addressing challenges that have hindered collaboration and integration across the department. While the department has taken some steps to implement the section 911 requirements, it has still not met statutory due dates for implementing key requirements intended to support its cross-functional teams and to advance a more collaborative culture within the department. We continue to believe it is important for senior leadership to demonstrate their commitment to fulfilling section 911 by addressing our prior related recommendations and by completing the remaining requirements.

Further, section 921 of the NDAA for Fiscal Year 2019 requires DOD to reform its enterprise business operations to increase the effectiveness and efficiency of mission execution. DOD has highlighted its nine cross-functional teams dedicated to improving the department's business operations as key to achieving enterprise business reform. However, this effort has been marked by a slow start and uneven progress, and teams face a number of challenges. One key challenge is the teams' lack of resources to drive their initiatives forward. OCMO has not established a process for identifying and prioritizing available funding for the development and implementation of the teams' initiatives, which has hampered the success of some of the enterprise reform efforts.

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## Recommendation for Executive Action

The Secretary of Defense should ensure that the Chief Management Officer establishes a process for identifying and prioritizing available funding to develop and implement initiatives from the cross-functional reform teams. (Recommendation 1)

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## Agency Comments

We provided a draft of this report to DOD for review and comment. In its written comments, which are reproduced in Appendix V, DOD concurred with our recommendation and described ongoing and planned actions to address it.

We are sending copies of this report to the appropriate congressional committees, the Acting Secretary of Defense, and DOD's Acting Chief Management Officer. In addition, the report is available at no charge on our website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.



Elizabeth Field  
Acting Director  
Defense Capabilities and Management

# Appendix I: Prior GAO Reports on the Department of Defense's (DOD) Implementation of Section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017

Section 911 of the NDAA for Fiscal Year 2017 included a provision for us—every 6 months after the date of enactment on December 23, 2016, through December 31, 2019—to submit to the defense committees a report. Each report is to set forth a comprehensive assessment of the actions that DOD has taken pursuant to section 911 during each 6-month period and cumulatively since the NDAA's enactment. We issued our first report in June 2017, and did not make recommendations. We issued our second report in February 2018, and made four recommendations to improve DOD's implementation of section 911. We issued our third report in June 2018, and did not make recommendations. Table 2 identifies our three prior reports on DOD's implementation of section 911 and the status of the four recommendations from our February 2018 report.

**Table 2: Prior GAO Reports on the Department of Defense's (DOD) Implementation of Section 911 of the National Defense Authorization Act (NDAA) for Fiscal Year 2017 and Status of Recommendations, as of December 2018**

Report title	Report issuance date	Recommendation	Status of DOD's implementation
Defense Management: DOD Senior Leadership Has Not Fully Implemented Statutory Requirements to Promote Department-Wide Collaboration, <a href="#">GAO-18-513</a>	June 25, 2018	We did not make recommendations in this report.	Not applicable

**Appendix I: Prior GAO Reports on the  
Department of Defense's (DOD)  
Implementation of Section 911 of the National  
Defense Authorization Act (NDAA) for Fiscal  
Year 2017**

<b>Report title</b>	<b>Report issuance date</b>	<b>Recommendation</b>	<b>Status of DOD's implementation</b>
Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration, <a href="#">GAO-18-194</a>	February 28, 2018	The Secretary of Defense should ensure that the Chief Management Officer (CMO), in its revisions to the draft organizational strategy, address how the department will promote and achieve a collaborative culture, as required under section 911 of the NDAA for Fiscal Year 2017. The CMO could accomplish this by incorporating our leading practices on mergers and organizational transformations.	Not yet implemented
Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration, <a href="#">GAO-18-194</a>	February 28, 2018	The Secretary of Defense should ensure that the CMO obtain stakeholder input on the development of the organizational strategy from key stakeholders, including the Secretary of Defense, the military departments, the combatant commands, and defense agencies.	Not yet implemented
Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration, <a href="#">GAO-18-194</a>	February 28, 2018	The Secretary of Defense should ensure that the CMO fully address all requirements in section 911 of the NDAA for Fiscal Year 2017 and incorporate leading practices for effective cross-functional teams in guidance on Secretary of Defense-empowered cross-functional teams.	Not yet implemented
Defense Management: DOD Needs to Take Additional Actions to Promote Department-Wide Collaboration, <a href="#">GAO-18-194</a>	February 28, 2018	The Secretary of Defense should ensure that the CMO either: (a) provide training for presidentially-appointed, Senate-confirmed individuals in the Office of the Secretary of Defense that includes the required elements—leadership, modern organizational practice, and collaboration—in section 911 of the NDAA for Fiscal Year 2017, or (b) develop criteria for obtaining a waiver and have the Secretary of Defense request such a waiver from the President for these required elements if the individual possesses—through training and experience—the skill and knowledge otherwise to be provided through a course of instruction.	Not yet implemented
Defense Management: DOD Has Taken Initial Steps to Formulate an Organizational Strategy, but These Efforts Are Not Complete, <a href="#">GAO-17-523R</a>	June 23, 2017	We did not make recommendations in this report.	Not applicable

Source: GAO analysis of DOD information. | GAO-19-165

# Appendix II: Summary of Requirements in Section 911 of the National Defense Authorization Act for Fiscal Year 2017

Section 911 of the National Defense Authorization Act for Fiscal Year 2017 requires the Secretary of Defense to take several actions. Table 3 summarizes these requirements, the due date, and the date completed, if applicable, as of December 2018.

**Table 3: Status of Requirements in Section 911 of the National Defense Authorization Act for Fiscal Year 2017, as of December 2018**

Not later than . . .	The Secretary is to . . .	Date completed
Not specified	Ensure that team members and all leaders in functional organizations that are in the supervisory chain for personnel serving on such team receive training in elements of successful cross-functional teams, including teamwork, collaboration, conflict resolution, and appropriately representing the views and expertise of their functional components.	Not yet completed
3 months of the appointment of an individual to a position in the Office of the Secretary of Defense appointable by and with the advice and consent of the Senate	Send the individual to a training course in leadership, modern organizational practice, collaboration, and the operation of cross-functional teams. This training requirement can be waived under certain circumstances.	Not yet completed
March 15, 2017	Award any necessary contract for a study to determine how to best implement effective cross-functional teams in the Department of Defense (DOD). This study should include (1) lessons learned, as reflected in academic literature, business and management school case studies, and the work of leading management consultant firms, on the successful and failed application of cross-functional teams in the private sector and government, and on the cultural factors necessary to support effective cross-functional teams and (2) the historical and current use by DOD of cross-functional working groups, integrated process teams, councils, and committees, and the reasons why such entities have or have not achieved high levels of teamwork or effectiveness.	June 9, 2017

**Appendix II: Summary of Requirements in  
Section 911 of the National Defense  
Authorization Act for Fiscal Year 2017**

<b>Not later than . . .</b>	<b>The Secretary is to . . .</b>	<b>Date completed</b>
July 15, 2017	Provide the results of the study to the congressional defense committees.	September 28, 2017
September 1, 2017	Develop and issue an organizational strategy that (1) identifies the critical objectives and other organizational outputs for DOD that span multiple functional boundaries and would benefit from the use of cross-functional teams; (2) improves the manner in which DOD integrates the expertise and capacities of the functional components of DOD for effective and efficient achievement of such objectives and outputs; (3) improves the management of relationships and processes involving the Office of the Secretary of Defense, the Joint Staff, the combatant commands, the military departments, and the defense agencies with regard to such objectives and outputs; (4) improves the ability of DOD to work effectively in interagency processes with regard to such objectives and outputs in order to better serve the President; and (5) achieves an organizational structure that enhances performance with regard to such objectives and outputs.	Not yet completed
September 30, 2017	Establish cross-functional teams to address critical objectives and outputs for such teams as determined to be appropriate in accordance with the organizational strategy. <sup>a</sup>	August 25, 2017
September 30, 2017	Issue guidance on cross-functional teams (1) addressing the role, authorities, reporting relationships, resourcing, manning, training, and operations of cross-functional teams; (2) delineating decision-making authority of such teams; (3) providing that the leaders of functional components of DOD that provide personnel to such teams respect and respond to team needs and activities; and (4) emphasizing that personnel selected for assignment to such teams shall faithfully represent the views and expertise of their functional components while contributing to the best of their ability to the success of the team concerned.	Not yet completed
18 months after the date of the enactment of this act (i.e., June 23, 2018)	Submit to Congress a report on the establishment of cross-functional teams, including descriptions from the leaders of teams on the manner in which the teams were designed and how they functioned.	June 21, 2018
18 months after the date of the enactment of this act (i.e., June 23, 2018)	Take actions, as the Secretary considers appropriate, to streamline the organizational structure and processes of the Office of the Secretary of Defense in order to increase spans of control, achieve a reduction in layers of management, eliminate unnecessary duplication between the Office of the Secretary of Defense and the Joint Staff, and reduce the time required to complete standard processes and activities.	Not yet completed
18 months after the date on which the first cross-functional team is established (i.e., February 25, 2019) <sup>b</sup>	Complete an analysis of the successes and failures of teams established, and determine how to apply the lessons learned from that analysis.	Not yet completed and deadline has not passed

Source: GAO analysis of section 911 of the National Defense Authorization Act for Fiscal Year 2017 and DOD information. | GAO-19-165

Notes:

<sup>a</sup>For each cross-functional team established pursuant to section 911, the Secretary of Defense is required to (1) assign as leader of such team a senior qualified and experienced individual, who shall report directly to the Secretary regarding the activities of such team; (2) delegate to the team leader

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**Appendix II: Summary of Requirements in  
Section 911 of the National Defense  
Authorization Act for Fiscal Year 2017**

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authority to select members of such team from among civilian employees of the department and members of the armed forces in any grade who are recommended for membership on such team by the head of a functional component of the department within the Office of the Secretary of Defense, the Joint Staff, and the military departments, by the commander of a combatant command, or by the director of a defense agency; (3) provide the team leader with necessary full-time support from team members, and the means to co-locate team members; and (4) ensure that the congressional defense committees are provided information on the progress and results of such team upon request.

<sup>b</sup>This requirement is not described in this report.

## Appendix III: Overview of the Department of Defense's (DOD) Nine Cross-Functional Teams Implementing Business Reform Initiatives

The Deputy Secretary of Defense has established nine cross-functional teams since October 2017 to implement reform initiatives intended to improve the quality and productivity of the department's business operations, including moving toward more use of enterprise services. According to the memoranda appointing the team leaders, these teams support the Secretary of Defense's focus on creating a more lethal and effective force by allowing the department to reallocate resources from business operations to readiness and to recapitalization of the combat force.

As of September 2018, these nine cross-functional teams varied in size, ranging from 5 to 31 members. According to OCMO officials, the size of the teams can vary based on the knowledge and expertise needed to implement the teams' initiatives. The team leaders are either presidential appointees or members of the Senior Executive Service. In addition, the Deputy Secretary of Defense directed the military departments and functional organizations to appoint reform team members, and the teams include representatives from the military departments, functional organizations relevant to the reform topic, and external experts. At the time we met with the teams, most reported that they were the appropriate size and had the right skills and expertise represented on the team. Figure 2 provides additional details on the composition of these nine cross-functional teams, as of September 2018.



**Appendix III: Overview of the Department of Defense's (DOD) Nine Cross-Functional Teams Implementing Business Reform Initiatives**

**Figure 2: Composition of the Department of Defense's (DOD) Nine Cross-Functional Business Reform Teams, as of September 2018**

Reform topic	Date established <sup>a</sup>	Number of team members <sup>b</sup>	Previous position of team leader	Functional organizations with members	Military departments with members
Community Services Management	October 2017	19 <sup>c</sup>	Senior Management and Program Analyst, OCMO	<ul style="list-style-type: none"> <li>OCMO</li> <li>OUSD (P&amp;R)</li> <li>Defense Commissary Agency</li> </ul>	
Financial Management	October 2017	10	Deputy Under Secretary of Defense for Comptroller <sup>d</sup>	<ul style="list-style-type: none"> <li>OUSD(C)</li> <li>DFAS</li> </ul>	
Health Care Management	October 2017	5	Acting Assistant Secretary of Defense for Health Affairs	<ul style="list-style-type: none"> <li>Defense Health Agency</li> <li>OCMO</li> </ul>	
Human Resources	January 2018	11	Deputy Assistant Secretary of Defense for Civilian Personnel Policy <sup>d</sup>	<ul style="list-style-type: none"> <li>Defense Contract Audit Agency</li> <li>DFAS</li> <li>Defense Human Resources Activity</li> <li>Defense Logistics Agency</li> <li>National Geospatial-Intelligence Agency</li> <li>OCMO</li> <li>Washington Headquarters Service</li> </ul>	
Information Technology and Business Systems	October 2017	31	Business Technology Officer, OCIO	<ul style="list-style-type: none"> <li>Defense Health Agency</li> <li>Defense Information Systems Agency</li> <li>Defense Human Resources Activity</li> <li>OCMO</li> <li>OCIO</li> </ul>	
Real Property Management	October 2017	8	Vacant	<ul style="list-style-type: none"> <li>OCMO</li> <li>Washington Headquarters Service</li> </ul>	
Service Contracts and Category Management	October 2017	15	Army Deputy Chief Management Officer	<ul style="list-style-type: none"> <li>Defense Logistics Agency</li> <li>Missile Defense Agency</li> <li>OCMO</li> <li>OUSD(A&amp;S)</li> </ul>	
Supply Chain and Logistics	October 2017	13	Deputy Assistant Secretary of Defense for Supply Chain Integration	<ul style="list-style-type: none"> <li>Defense Logistics Agency</li> <li>OUSD(A&amp;S)</li> </ul>	
Testing and Evaluation	November 2017	9	Director of Army Test and Evaluation	<ul style="list-style-type: none"> <li>Defense Information Systems Agency</li> <li>OCMO</li> <li>Office of the Director for Operational Test and Evaluation</li> <li>Test Resource Management Center</li> </ul>	

Source: GAO analysis of Department of Defense information. | GAO-19-165

<sup>a</sup>The timeline for establishing these nine teams is from October 2017 through January 2018 because DOD established the first teams in October 2017 and the last team in January 2018.

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**Appendix III: Overview of the Department of Defense's (DOD) Nine Cross-Functional Teams Implementing Business Reform Initiatives**

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<sup>b</sup>The number of team members includes full-time civilian, military, and contractor personnel assigned to the team. In addition, three teams—community services, supply chain and logistics, and testing and evaluation—have external experts assigned as members on the team.

<sup>c</sup>According to OCMO officials, the number of team members for the community services management team also includes members of the Enterprise Management of Community Services Task Force that was established to support the team's initiative on the consolidation of the defense commissaries and exchanges.

<sup>d</sup>OCMO officials stated that these team leaders are also performing the duties of their previous positions.

# Appendix IV: Leading Practices for Implementing Effective Cross-Functional Teams

In February 2018, we reported on eight leading practices for implementing effective cross-functional teams.<sup>1</sup> Table 4 identifies these leading practices and their related key characteristics.

**Table 4: Leading Practices and Key Characteristics of Cross-Functional Teams**

Leading practice	Description	Key characteristics
Open and regular communication	Efficient cross-functional teams have effective communication mechanisms.	<ul style="list-style-type: none"> <li>• Cross-functional teams should openly share information within the team.</li> <li>• Teams should proactively seek feedback and information from stakeholders.</li> <li>• Cross-functional teams should have open and regular communication with team members, team leaders, and management.</li> </ul>
Well-defined team goals	Effective cross-functional teams have clear, updated, and well-defined goals common to the team, team leader, and management.	<ul style="list-style-type: none"> <li>• Team goals should be clear, well defined, linked, updated, and commonly shared with team members, team leaders and senior leaders (management).</li> <li>• Team objectives should have linkages to the organization's goals.</li> <li>• Team members and leaders should be supportive of the cross-functional team's goals.</li> </ul>

<sup>1</sup>[GAO-18-194](#). We identified these leading practices by reviewing literature and case studies on the use of cross-functional teams in the private and public sectors, as well as interviewing six academic and practitioner experts. Leading practices for effective cross-functional teams are aligned with the leading practices for interagency collaboration we have identified in our prior work. See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012).

**Appendix IV: Leading Practices for  
Implementing Effective Cross-Functional  
Teams**

<b>Leading practice</b>	<b>Description</b>	<b>Key characteristics</b>
Inclusive team environment	Effective cross-functional teams invest in a supportive and inclusive team environment where all team members have collective responsibility and individual accountability for the team's work.	<ul style="list-style-type: none"> <li>• Cross-functional teams should invest in a single team culture with shared values of inclusiveness and collective responsibility.</li> <li>• Cross-functional team members should be supportive and trusting of one another.</li> <li>• Cross-functional team members should have mutual respect and cooperation with each other.</li> <li>• Individual team members should participate and be accountable for the team's work.</li> </ul>
Well-defined team structure	Effective cross-functional teams have well-defined team operations with project-specific rules and procedures established for each team.	<ul style="list-style-type: none"> <li>• Cross-functional teams should have a well-defined structure, project-specific rules, and procedures.</li> <li>• Cross-functional teams should be collocated within the same physical proximity.</li> <li>• Cross-functional teams should have appropriate training and learning environments.</li> </ul>
Autonomy	Effective cross-functional teams are independent and have the ability to make decisions independently and rapidly.	<ul style="list-style-type: none"> <li>• Cross-functional teams should be empowered to make decisions.</li> <li>• Cross-functional teams should be able to creatively solve problems.</li> </ul>
Senior management support	Effective cross-functional teams have senior managers who view the teams as a priority within the organization and provide these teams with resources and rewards to recognize their work.	<ul style="list-style-type: none"> <li>• Senior management should support cross-functional teams as a priority.</li> <li>• Senior management should provide cross-functional teams with access to resources and rewards.</li> <li>• Senior management should provide career advancement opportunities, recognition, and incentives for cross-functional team leaders and members.</li> </ul>
Committed cross-functional team members	Effective cross-functional teams have members committed to the team's goals.	<ul style="list-style-type: none"> <li>• Cross-functional team members should have a wide diversity of knowledge and expertise.</li> <li>• Cross-functional team members should be committed to working toward achieving the team's goals.</li> </ul>
Empowered cross-functional team leader	The selected cross-functional team leader should be clear in guidance for team members, be proactive, empowered to make decisions and provide feedback and developmental opportunities to team members.	<ul style="list-style-type: none"> <li>• Cross-functional team leaders should be empowered to provide clear guidance and be proactive in decision making.</li> <li>• Cross-functional team leaders should provide feedback and developmental opportunities to team members.</li> <li>• Cross-functional team leaders should regularly interact with senior management.</li> </ul>

Source: GAO. | GAO-19-165

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# Appendix V: Comments from the Department of Defense

Note: The report number in DOD's comment letter refers to the draft sent to the department for comment and sensitivity review. The report number changed after DOD determined that the final report was cleared for public release.



CHIEF MANAGEMENT OFFICER  
9010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-9010

January 8, 2019

Ms. Elizabeth Field  
Acting Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Field,

The Department of Defense (DoD) concurs as written with the Government Accountability Office (GAO) Draft Report GAO-19-165SU "DEFENSE MANAGEMENT: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams," dated November 27, 2018 (GAO Code 102812).

Enclosed is the DoD response to the report's Recommendation 1.

My point of contact is Mr. Brian Helmer, who can be reached by email at [brian.w.helmer.civ@mail.mil](mailto:brian.w.helmer.civ@mail.mil) and by phone at 703-614-4783.

Sincerely,

HERSHMAN.LISA<sup>A</sup> Digitally signed by  
HERSHMAN.LISA.W.1544505641  
.W.1544505641 Date: 2019.01.08 17:44:22  
-05'00'

Lisa W. Hershman  
Acting

Enclosure:  
As stated

**GAO DRAFT REPORT DATED NOVEMBER 27, 2018  
GAO-19-165SU (GAO CODE 102812)**

**“DEFENSE MANAGEMENT: DOD NEEDS TO IMPLEMENT STATUTORY  
REQUIREMENTS AND IDENTIFY RESOURCES FOR ITS CROSS-FUNCTIONAL  
REFORM TEAMS”**

**DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION**

**RECOMMENDATION 1:** The Secretary of Defense should ensure that the Chief Management Officer (CMO) establishes a process for identifying and prioritizing available funding to develop and implement initiatives from the cross-functional reform teams.

**DoD RESPONSE:** Concur. The Department will use savings from the reform efforts it has already executed to fund current reform initiatives ready for the execution phase and future initiatives that will need initial investment. The Department has refined its evaluative gating process for prospective reform initiatives and those already moving through the execution phases in order to more accurately validate and track potential savings, project plans, and execution of the initiatives. Additionally, CMO is working in partnership with the Office of the Comptroller and the Cost Assessment and Program Evaluation office to validate potential and achieved reform savings in order to prioritize reform initiatives in the pipeline, determine available funding, and use the Department’s program budget review process to implement business reforms and savings initiatives.

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

Elizabeth Field, (202) 512-2775 or [fielde1@gao.gov](mailto:fielde1@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Margaret Best (Assistant Director), Tracy Barnes, Arkelga Braxton, William Carpluk, Michael Holland, William Lamping, Chad Johnson, Matthew Kienzle, Amie Lesser, Ned Malone, Judy McCloskey, Sheila Miller, Sally Newman, Richard Powelson, Daniel Ramsey, Ron Schwenn, Jared Sippel, Susan Tindall, and Sarah Veale made key contributions to this report.



# Appendix VII: Accessible Data

## Data Table

**Accessible Data for Figure 1: Department of Defense Office of the Chief Management Officer Gating Process for Business Reform Initiatives and the Status of Initiatives (Total and by Team), as of September 2018**

Category	Gate 0	Gate 1	Gate 2	Gate 3	Gate 4	Total
Community Services Management	0	1	0	1	0	2
Financial Management	4	2	2	0	1	9
Health Care Management	1	5	2	12	1	21
Human Resources	2	1	3	2	0	8
Information Technology and Business Systems	3	5	18	2	10	38
Real Property Management	6	4	5	0	0	15
Service Contracts and Category Management	1	0	4	0	1	6
Supply Chain and Logistics	0	7	13	1	0	21
Testing and Evaluation	2	1	12	0	0	15

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## Agency Comment Letter

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### Accessible Text for Appendix V Comments from the Department of Defense

#### Page 1

January 8, 2019

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Acting Director, Defense Capabilities and Management

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

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Sincerely,

Lisa W. Hershman

Acting

Enclosure: As stated

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Page 2

GAO DRAFT REPORT DATED NOVEMBER 27, 2018 GAO-19-165SU  
(GAO CODE 102812)

“DEFENSE MANAGEMENT: DOD NEEDS TO IMPLEMENT  
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DEPARTMENT OF DEFENSE COMMENTS TO THE GAO  
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