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# IMPROVING STRATEGIC INTEGRATION AT THE DEPARTMENT OF DEFENSE

UNITED STATES SENATE COMMITTEE ON ARMED SERVICES

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Statement before the Senate Armed Services Committee  
Improving Strategic Integration at the Department of Defense  
June 28, 2016

By James R. Locher III

I commend Chairman McCain and Ranking Member Reed for their bold leadership on Section 941 in the Senate's version of this year's National Defense Authorization Act. If enacted, this provision would initiate a long overdue revolution in defense organization. As with all major change efforts, legislative approval and Pentagon implementation of Section 941 will not be easy, but if successful, resulting improvements in performance would be transformational.

Many similarities exist between the Goldwater-Nichols Act and Section 941. In both case, decades of evidence showed the need for fundamental organizational changes. In 1986, the Pentagon bureaucracy was in denial about its organizational defects and actively resisted congressional efforts. Senior Pentagon officials blasted the Senate Armed Services Committee's draft of the Goldwater-Nichols Act. The Secretary of the Navy said its proposed strengthening of combatant commanders "would make hash of our defense structure." The Commandant of the Marine Corps said, "I know of no document which has concerned me more in my 36 years of uniformed service to my country." The Chief of Naval Operations declared that the bill "was terribly flawed and certainly not in the best interests of national security." The Army and Air Force Secretaries and Chiefs also criticized the committee's draft. Even after the Senate approved the Goldwater-Nichols Act by a vote of 95-0, Pentagon hardliners were urging a presidential veto. Since then, however, history has provided overwhelming evidence of the wisdom of Congress in overruling Pentagon objections and mandating sweeping defense reforms.

This scenario is playing out again this year. The Senate Armed Services Committee has identified major organizational problems and has proposed in Section 941 farsighted solutions. The issue is largely the same as in 1986, except that the proximate problem is not the inability to orchestrate cross-service collaboration at the strategic and operational levels. Instead, the problem is the inability to orchestrate cross-functional collaboration among the Pentagon's many bodies of functional expertise. The Pentagon's inability to manage cross-functional security problems quickly and authoritatively results in poor direction and support to our deployed military forces around the globe. This committee is intent on giving the Secretary of Defense the tools to remedy this deficiency.

In response, the Pentagon has strongly objected to the committee's proposed provision, alleging it "would undermine the Secretary of Defense's ability to exercise authority, direction, and control over the Department; blur lines of responsibility and control over resources; require the issuance of numerous unnecessary and

burdensome policies, directives, and reports.” Just like 1986, the committee needs to overrule this predictable initial response from the defense bureaucracy, work directly with the Pentagon’s top leaders who should be able to see the merits of the provision, press ahead with Section 941, and renew and revitalize the Pentagon’s headquarters.

### Organizational Problems and Their Causes

Before discussing organizational problems in the Department of Defense (DoD), I would like to offer two important observations. First, arguing for dramatic changes in Pentagon organization does not represent a criticism of defense civilian or military personnel. They are working extremely hard and with unyielding commitment. Unfortunately, much of their hard work is wasted in an outdated system. Measures to enable Pentagon staff to work smarter, not harder, need to be put in place.

Second, for all of its deficiencies, the Department of Defense is widely seen as the most capable Federal department. This is in large part due to the quality and drive of its workforce, and a military culture that values detailed planning processes to cover “what if” and “what next” contingencies. But because the Pentagon confronts the government’s most dangerous and diverse challenges, being better than the rest of the government is not a useful yardstick for measuring performance. Instead we must ask whether the department is capable of effectively accomplishing the full range of its missions. The last fifteen years offer considerable evidence that it is not.

The committee’s thirteen hearings last Fall revealed critical organizational problems hampering Pentagon performance. Testimony addressed many symptoms of these problems:

- A steady growth in the number of personnel.
- Excessive number of management layers and senior personnel.
- Poor information sharing.
- Processes are slow, cumbersome, and frequently over-centralized.
- Inability to make clear strategic choices -- Decisions watered down to achieve consensus. Consensus products avoid and obscure difficult trade-offs, clear alternatives, and associated risks.
- In the absence of a guiding strategy, the budget drives strategy, rather than vice versa.
- Slow rates of innovation – The Pentagon has repeatedly shown it is not a learning organization.
- The Pentagon cannot integrate its functional activities (e.g., manpower, acquisition, policy) along mission or outcome lines – There is a weak mission orientation. The focus is on material inputs, not mission outputs. Limited cross-boundary collaboration has resulted in duplicative efforts and “shadow organizations” (parallel structures created because of distrust of other offices

sharing information or being responsive). Integration can only be performed at the level of the Secretary and Deputy Secretary of Defense, and then only infrequently and often late to need.

- The Office of the Secretary of Defense (OSD) is increasingly unmanageable, unwieldy, and underachieving -- Accountability is unclear, and decision rights are uncertain, especially for cross-functional issues.

- Secretaries and Deputy Secretaries of Defense feel poorly supported by the OSD staff.

- Resistance to change, driven largely by denial about altered circumstances.

- And consequently, and of greatest concern, the inability to anticipate and prepare well to meet future challenges.

These symptoms evidence four underlying problems. First, the rigid functional structure of the Pentagon hampers collaboration, limits a focus on missions and results, demands more people and more management levels, resists new ideas, and sub-optimizes decisions. Each headquarters staff in the Pentagon – OSD, Joint Staff, service secretariats, and military headquarters staffs – are organized exclusively along functional lines, that is along the major areas of input activity, such as logistics, intelligence, and health affairs. Functional expertise is absolutely essential; it provides the building blocks for more advanced organizational approaches. Thirty years ago, businesses were also organized exclusively by functional components, what are more popularly called silos or stovepipes because of their rigid boundaries and non-collaborative cultures. Since then, corporations moved away from an exclusive dependence on functional structure because it was ill suited to the complexity and pace of the changing business environment. Instead, they now emphasize means for cross-boundary collaboration and teaming.

Unfortunately, the Department of Defense is still stuck with its antiquated structure. It is now, and has been for some time, experiencing the same performance shortfalls that businesses suffered. The Pentagon's outmoded vertical silos are unable to handle the complexity and pace of today's defense challenges. In futile efforts to make this functional structure work, the Pentagon has added personnel, management layers, and numerous ineffective cross-cutting committees. The additional people, layers, and unproductive committees have steadily increased the complexity of OSD's work.

A second fundamental problem involves processes, such as the Planning, Programming, Budget, and Execution System. Pentagon processes are sequential, stove-piped, consensus-driven, and industrial age. The Pentagon's bureaucratic culture and its functional orientation have shaped the design of these processes. In addition, because leaders put a premium on coordination and consensus, processes are slow, and their products are watered down. The resulting outputs are more acceptable to the larger bureaucracy but at the expense of clarity and utility to senior leaders.

A third problem centers on weak civilian leadership traditions. OSD has given insufficient attention to leadership tasks and leadership development. The emphasis has been on technical and functional skills, not leadership skills. Many OSD officials in leadership positions are superb individual achievers (e.g., lawyers, diplomats, analysts) who have never led and been held accountable for larger organizational effectiveness. They are incredibly hard working and dedicated, but they have not been prepared for their demanding leadership responsibilities. This problem is also exacerbated by promotion criteria that favor technical and bureaucratic skills and by the failure to make leadership skills a priority in hiring decisions.

The fourth problem arises from the Pentagon's culture, which is too rule-oriented, bureaucratic, risk adverse in decision-making, and competitive among components. Although the Pentagon's culture is typical of most public-sector organizations, it is misaligned with what is required for effective performance in today's complex, fast-changing security environment. Culture -- a below-the-surface but important element of organizational effectiveness -- encompasses vision, values, norms, assumptions, beliefs, and habits and serves as the backbone of every organization. Of the importance of culture to organizational performance, Louis V. Gerstner Jr., former IBM Chairman and CEO, said, "I came to see, in my time at IBM, that culture isn't just one aspect of the game -- it *is* the game." In noting "Culture eats strategy for breakfast," management guru Peter F. Drucker was observing that even an excellent strategy would not succeed if the organization's culture does not support it.

Among many causes of the Pentagon's cultural woes, foremost is a lack of shared values; it does not have agreement on vision, missions, or principles. Organizational and individual incentives and management styles and actions have reinforced the current culture. Excessive criticism of "failures," especially by Congress, has served to inhibit justified risk taking. Assumptions shaping Pentagon staff behaviors have never been explicitly examined. This must be a starting point for productive changes in culture. It should be noted that Pentagon culture is long-standing and entrenched and will not be easily changed. A determined and sustained effort will be required.

### Long History of These Problems

Some of these four organizational problems were identified many years ago, and in fact understood at the time of the Goldwater-Nichols Act. In the mid-1980s, the Senate Armed Services Committee (where I was then working) worried about the lack of mission integration in the Pentagon's headquarters. A committee staff study observed, "Lost in the functional diffusion of the current DoD organization is a focus on the central strategic objectives and missions of DoD." The committee found much truth in an observation made by Drucker in 1974:

The functional principle [of organizational design] . . . has great clarity and high economy, and it makes it easy to understand one's own task. But even in

small business it tends to direct vision away from results and toward efforts, to obscure the organization's goals, and to sub-optimize decisions. It has high stability but little adaptability. It perpetuates and develops technical and functional skills, that is, middle managers, but it resists new ideas and inhibits top-management development and vision.

To create a mission focus, the committee considered three options: mission-oriented under secretaries, mission-oriented assistant secretaries, and a mission-functional matrix organization. Unfortunately, the committee was unable to arrive at a viable solution to the lack of mission integration. Advanced organizational ideas, such as cross-functional teams, were not then known.

Toyota was the first corporation to decisively tackle the problems and inefficiencies of a functional structure. It did so in the mid-1980s, just as Goldwater-Nichols was being enacted. To design an automobile, Toyota augmented its functional structure by creating an empowered team of experts from each functional area. When this cross-functional team produced a superior design with 30 percent of the effort, the age of cross-functional teams was born. Because cross-functional teams provided such a competitive advantage, their use spread quickly in big business worldwide. Effectively employing cross-functional teams is not easily done. There are many challenges. Yet today, more than 50 percent of the work and most important work in big businesses are done in cross-functional teams that operate at all levels, from field operations to production lines to corporate headquarters.

In 1989, President George H.W. Bush appointed me to the position of Assistant Secretary of Defense for Special Operations and Low-Intensity Conflict (ASD (SO/LIC)). My experiences as ASD (SO/LIC) reinforced the Senate Armed Services Committee's observation about the lack of mission integration. Because I had worked in OSD for ten years beginning in 1968, I had previously experienced the intense competition among the Pentagon's functional silos. A report of the Blue Ribbon Defense Panel in 1970 captured this ongoing organizational characteristic well. It said, "Many of the difficulties result from the structure of the Department of Defense itself, which almost inevitably leads people to 'adversary' relationships rather than toward cooperation in the interests of the department – and the nation – as a whole." This great insight is as true today as in 1970.

In the Cohen-Nunn amendment, the Senate Armed Services Committee structured ASD (SO/LIC) to be a mission-oriented official. It assigned the assistant secretary the supervision of two mission areas -- special operations and low-intensity conflict – including policy and resources. This mission responsibility brought my office into conflict with the OSD functional silos. They guarded their turf quite zealously. With few exceptions, efforts to collaborate with them were futile. Every issue and initiative resulted in exhausting, time-consuming, bureaucratic warfare. OSD was rampant with adversarial relationships, leading to a popular description of the office as a collection of feuding fiefdoms. ASD (SO/LIC) is confronting the same bureaucratic problems today.

The problems of functional silos did not go unnoticed in the Pentagon. In 1995, Secretary of Defense Bill Perry directed the use of Integrated Product Teams (cross-functional teams by another name) in defense acquisition. Perry argued that DoD “must move away from a pattern of hierarchical decision-making to a process where decisions are made across organizational structures by integrated product teams. It means we are breaking down institutional barriers.” Unfortunately, Perry’s mandate for multidisciplinary teamwork bore little fruit. It contained a fatal flaw: It permitted the heads of functional silos to carefully control their Integrated Product Team members. Moreover, it was narrowly limited to acquisition issues.

In 1997, several colleagues and I worked closely with Deputy Secretary of Defense John White on a study of OSD. As in the Senate Armed Services Committee’s Staff Study, we found functional differentiation immediately below the Secretary and Deputy Secretary preventing collaboration on broader issues. But in this instance, we saw the crippling consequences firsthand. The Deputy Secretary was the first point of integration for missions and other priority outputs. The number, scope, and complexity of issues made this an impossible task. The Secretary and Deputy Secretary could only intervene on a small number of issues, served up by the bureaucracy as it laboriously churned through the endless compromises involved in various processes. My study colleagues and I found ourselves in complete agreement with a 1980 study of OSD by William K. Brehm, which observed, “Management activities are also strongly vertical and compartmentalized, with little horizontal integration and teamwork.” In our own report, we noted:

The Secretary, Deputy Secretary, and their immediate assistants too often find the support provided by OSD – despite staff dedication and hard work – inadequate to the needs of the two leaders. Criticisms of staff support and advice center on the narrowness of perspective, lack of integrated multi-functional advice, and excessive functional parochialism. OSD leaders often feel that few on the OSD staff share their perspective and can provide comprehensive advice on broad, complex issues.

In 2005-6, Deputy Secretary Gordon England favored the creation of cross-functional teams for major missions. He had reached this conclusion as a result of organizational performance studies in support of the 2006 Quadrennial Defense Review (QDR). Research for these studies revealed that Joint Staff personnel participated in more than 860 cross-boundary groups, but only a handful performed well the small task of sharing information, let alone making decisions. The 2006 QDR report promised transformation represented by, among other things, “a shift from stove-piped vertical structures to more transparent and horizontally-integrated structures,” but it failed to deliver this result. The department’s leadership was unable to overcome the strong parochial opposition of the heads of the functional silos, and an effort to create meaningful cross-functional teams was again frustrated.

## Secretary Gates's Experiences

In his testimony before the committee last October and in his recent book, *A Passion for Leadership*, Secretary Robert Gates registered his frustration with the bureaucratic hierarchy, its lack of lateral communications, and its detrimental tendency to default to consensus decision-making. Gates observed that the only way he could get things done was to create special multidisciplinary task forces (equivalent to Section 941's cross-functional teams):

In every senior position I held, I made extensive use of task forces to develop options, recommendations, and specific plans for implementation. I relied on such ad hoc groups to effect change instead of using existing bureaucratic structures because asking the regular bureaucratic hierarchy (as opposed to individuals within it) if the organization needs to change consistently yields the same response: it almost never provides bold options or recommendations that do more than nibble at the status quo.

Secretary Gates used cross-cutting task forces "because so many different elements of the Pentagon were involved," and because they were, in his words, "immensely useful, indeed crucial." He said "They break down the bureaucratic barricades to change and . . . can also help build collaboration and relationships that will result in long-term benefits." He used the task forces to "accomplish . . . priority tasks associated with turning the wars around," including "the MRAP vehicles, additional intelligence, surveillance and reconnaissance capabilities, shortened medevac times, counter-IED equipment, and even the care of wounded warriors." He noted the task forces became "an essential instrument for me not just on matters relating to the wars but on other problems in the department as well."

Gates paid a lot of personal attention to the task forces, including the careful selection of their leaders. He also notes he had to delegate meaningful authority to the task forces. He said the task force leaders had to "provide the freedom for members to offer options and ideas, incorporate what is helpful, and then gently but firmly...guide the majority to the desired change, even if they come up with a different way of implementing it." Most notably, Gates said he discovered that it "routinely required my personal involvement to keep the bureaucracy from smothering their efforts." Finally, it is significant that in his testimony to the committee last October, Secretary Gates concluded that periodic intervention by task forces with the "intense, personal involvement of the Secretary" of Defense to override prevailing bureaucratic ethos was not, to use his word, "sustainable." He expressed regret that an institutionalized solution to this problem was not found before he departed the Pentagon.

## Section 941 – An Institutionalized Solution

Section 941 provides the institutionalized fix that Secretary Gates sought. Four of the five major elements of Section 941 are tightly linked to the Pentagon's

organizational problems identified by the committee. The fifth element is an overarching blueprint to guide the other four elements and all other required organizational changes. It requires the Secretary of Defense to formulate an organizational strategy for the Department of Defense. The Pentagon does not have an organizational strategy defining how the department needs to change in order to improve performance and prescribing a plan of action for achieving that critical transformation. A key element of the required strategy is the identification of the department's most important missions and other outputs.

It is worth considering the importance of organizational strategy. Too many Secretaries of Defense approach the job of running one of the world's largest bureaucracies as if it were unmanageable. In their limited tenures, they are faced with innumerable problems, many of which are exceedingly complex and some of which are urgent. Instead of taking responsibility for the overall performance of Pentagon headquarters, they decide, "I'll do what I can to help solve the most immediate and important problems." This is understandable. It also explains why manifest Pentagon inadequacies have been left unaddressed for so long.

If we are to have a better functioning Pentagon headquarters, it is imperative that the next Secretary approach the job intent on understanding why the Pentagon behaves as it does and determined to change those behaviors so that the organization can more routinely generate alternative, integrated solutions to complex problems and more routinely solve or at least manage complex security threats well. Only by translating this understanding and determination into an organizational strategy for improved performance will the next Secretary be able to communicate his or her common vision to the Pentagon's many functional elements and support staffs.

The second element of Section 941 would require the Secretary of Defense to establish cross-functional teams to manage major missions and other priority outputs that are intrinsically cross-functional. This work would start with the Secretary of Defense identifying the missions, other high-priority outputs, and important activities for which "mission teams" and sub-teams would be established. The second step would be issuance by the Secretary of a directive on the role, authorities, reporting relationships, resourcing, manning, and operations of mission teams and specifying that mission teams are decision-making bodies. The third step would require establishment of three teams within six months of the Secretary's appointment and another three teams 90 days later.

These cross-functional mission teams must be the centerpiece of any plan for improving Pentagon performance. For decades, it has been recognized that the Pentagon's functional components war with each other to the detriment of the common enterprise. Cross-functional teams, which operate at all levels and in many guises, have overcome similar problems in private-sector organizations. The teams cull representation from diverse functional entities, are empowered and held accountable for real, measurable progress against an assigned mission. Although

there are many nuances in precisely how these teams can and should function, there are a few well-established rules of the road. They cannot be merely “advisory,” or they will tend to make recommendations that are popular rather than take action to actually solve the problem at hand. They must be protected from the functional bureaucracies or they will be hobbled and degenerate into consensus decision-making. However, successfully managed with the attention, authority, and active support of the Secretary of Defense, they would revolutionize decision-making in the Pentagon to the initial discomfort of some, but the lasting benefit of our servicemen and women and the entire nation.

The third element of Section 941 would require actions to begin to shape an organizational culture that is collaborative, team-oriented, results-oriented, and innovative. These steps include preparation of a departmental directive on purpose, values, and principles for the operation of OSD. A second directive would specify the required collaborative behavior by OSD personnel. A third directive would describe the methods and means to achieve a high degree of collaboration between OSD and the Joint Staff. I have already explained why culture is so important and difficult to change. It requires a persistent leadership emphasis and proper incentives for the rank-and-file staff. Once in a while, it may also require replacing functional leaders who prove too hidebound to change for the greater good.

The fourth element would prescribe training and personnel incentives to support these new approaches. Among its prescriptions, this element would require completion of a course of instruction in leadership, modern organizational practice, collaboration, and the functioning of mission teams for Senate-confirmed officials in the Department of Defense. It would also require successful service as leader or member of a cross-functional team for promotion in the Senior Executive Service above a level specified by the Secretary. This element is really a corollary to the previous element and the imperative to transform the Pentagon culture over time.

The fifth element would require the Secretary of Defense to take appropriate action one year after the date of his or her appointment to simplify OSD's structure and processes. Almost all Secretaries and Deputy Secretaries of Defense and innumerable studies support cutting if not slashing the Pentagon staffs. What must be remembered is that it is largely the inability of the Pentagon to generate cross-functional assessments of problems and corresponding solutions that fuels the growth of bureaucracy. Each functional entity, aware that it needs more diverse information and expertise, but unable to collaborate with other functional organizations that have them, tries to build its own “in-house” supplementary bodies of functional experts. This is why so many regional offices have functional staff elements embedded in them, and vice versa. Once it is clearly established that empowered cross-functional mission teams will be responsible for cross-functional work under the close supervision of the department's top leadership, it should be much easier to identify the unnecessary and duplicative organizational structures and ineffective cross-cutting groups where staff can be cut without hurting the chances of mission success.

### Isolated Cases of Cross-Functional Successes

A few critics of Section 941 have argued that cross-functional teams may work for building a car or some other widget, but they won't work in the national security realm. This is demonstrably false. On occasion, the national security establishment has used cross-functional teams to good effect at all levels and diverse missions. At the strategic level, President Dwight D. Eisenhower employed cross-functional teams in Project Solarium, the highly acclaimed effort that formulated a grand strategy for his administration. President Eisenhower was personally involved in conceiving the small, seven-person, cross-functional teams, which had representatives from multiple department and agencies and unrestricted access to information throughout the government. He identified their leaders and members, and once the teams generated their output, Eisenhower personally reviewed the results with the entire top echelon of his national security leaders. In retrospect, Project Solarium has been a widely admired and much commented upon cross-functional model for grand strategy decision-making. Unfortunately, it is not a frequently repeated exercise because it made the leaders of the functional departments and agencies distinctly uncomfortable, something Eisenhower well understood and embraced as necessary for getting worthy results.

Another example of a strategic-level cross-functional team that generated incredible results is the Reagan Administration's team that countered Soviet disinformation. Today, one frequently hears that it is just too difficult to counter terrorist propaganda effectively. Many held the same view of Soviet disinformation in the 1970s and 1980s. However, a small cross-functional team with representatives from the CIA, DIA, FBI, NSC, Department of State, INR, and USIA produced reports, briefings, and press releases that exposed Soviet disinformation at little cost to the United States, but negated much of the multi-billion-dollar Soviet disinformation effort. I penned a foreword to a National Defense University study that lays out in exquisite detail just how effective this group was:

The group successfully established and executed U.S. policy on responding to Soviet disinformation. It exposed some Soviet covert operations and raised the political cost of others by sensitizing foreign and domestic audiences to how they were being duped. The group's work encouraged allies and made the Soviet Union pay a price for disinformation that reverberated all the way to the top of the Soviet political apparatus. It . . . changed the way the United States and Soviet Union viewed disinformation. With constant prodding from the group, the majority position in the U.S. national security bureaucracy moved from believing that Soviet disinformation was inconsequential to believing it was deleterious to U.S. interests—and on occasion could mean the difference in which side prevailed in closely contested foreign policy issues. The working group pursued a sustained campaign to expose Soviet disinformation and helped convince Mikhail Gorbachev that such operations against the United States were counterproductive.

Like Project Solarium, this interagency team worked its issues virtually non-stop with incredible dedication from its small group of experts. However, in terms of budget outlays, the group cost the United States almost nothing, demonstrating the amazing efficiency of collaboration when it is made to work well.

At the operational level, Joint Interagency Task Force (JIATF) – South is viewed as the gold standard for interagency collaboration and intelligence fusion. For over twenty years, the cross-functional leadership team at JIATF-South has been remarkably effective at meeting the demanding operational challenge of keeping pace with resource-rich and creative drug organizations. Year in, year out, their organization is responsible for 70-80 percent of all U.S. federal, state, and local law enforcement disruptions of cocaine shipments to the United States. By one recent count the organization successfully integrated the efforts of the four branches of the military, nine different agencies, and eleven partner nations, defying experts who claim such levels of collaboration are not possible among executive departments and certainly not on an international basis.

Another cross-functional success at the operational level, albeit of much narrower scope than JIATF-South's enterprise, is the task forces orchestrated by Under Secretary of Defense Walter Slocombe in the Clinton administration during 1994-2001. The failure in Somalia in 1993 and national embarrassment of the *USS Harlan County* being turned away from a Haitian port shortly thereafter were both largely the result of feuding between the Departments of State and Defense and the inability of the Pentagon to keep pace with events in the field and coordinate a common Pentagon approach to managing these operations. When Under Secretary Slocombe took office, he established small cross-functional task forces to handle such complex contingencies and used them to good effect for the rest of the 1990s. These task forces were not as empowered or as cross-functional in representation as JIATF-South, but they worked their diverse issues full-time and with the benefit of multiple experts drawn from around the Pentagon. They managed interagency frictions better and helped the department keep abreast of fast-moving and complex developments in Haiti and the Balkans among other places.

In terms of field activities, a well-known example of a cross-functional team is the Civil Operations and Revolutionary Development Support (CORDS) program in Vietnam. This pacification effort successfully integrated military and civilian components of the U.S. Government that previously had worked at cross-purposes. The program is now widely acknowledged as a major step forward, although it was, in the words of its dynamic and uncompromising first leader, Ambassador Robert W. Komer, "too little, too late." It is not surprising in the least that it took a leader of Ambassador Komer's organizational acumen to decode and demonstrate the kind of field-level interagency collaboration that was required to defeat the category of multi-functional security threat we now widely refer to as a "hybrid threat."

A much more current example of effective field-level cross-functional collaboration is the High-Value Terrorist Targeting Teams in Iraq, led by General

Stanley McChrystal. We have the great good fortune and privilege to hear from General McChrystal during this hearing. Suffice it to say that his exquisite example of the power of cross-boundary collaboration did not just involve interagency teams in the field. General McChrystal worked his collaborative approach at the highest echelons of the U.S. government and inside the Pentagon to ensure his field teams received the support they needed from the larger national security bureaucracy.

Unfortunately, these successes are as rare as they are impressive. Empowered, cross-boundary collaboration can be made to work at all levels and for a wide variety of cross-functional problems and missions. What we need to do is make them more the norm than the rare exception, and that requires institutionalizing a mechanism for senior leaders to employ.

### Administration's Concerns with Section 941

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

**Does Section 941 undermine or empower the Secretary?** Section 941 explicitly guards against lowest-common-denominator consensus-seeking by giving the Secretary the wherewithal to ensure cross-cutting groups are unconstrained by the need to safeguard the equities of group members' organizations. The teams report to the Secretary and derive all their authority from the Secretary, who chooses their missions, approves their charters, and specifies the scope of their authority. The Secretary can approve, reject, or modify team decisions, but if the teams are established as Section 941 specifies, they certainly will not produce the kind of meaningless consensus outputs that former Secretary Gates warns against: outcomes where "everyone agrees to say collectively what no one believes individually."

**Does Section 941 add or roll back bureaucracy?** Teams that would be established under Section 941 would be empowered to cut through the existing bureaucratic processes that protect functional equities at the expense of accomplishing cross-cutting missions efficiently and effectively. Section 941 would empower teams to overcome the currently time-consuming and energy-sapping consensus-building processes that exhaust so much human capital for so little effect. Consensus processes enervate not just the rank and file but senior leaders as well, including the Secretary. Secretary Gates said in his book, *A Passion for Leadership*:

I cannot begin to calculate the time I have wasted in meetings -- and task forces -- as the person in the chair strives to get all participants to agree to a single recommendation or point of view, instead of presenting several options to their higher-up. This process inevitably yields the lowest common denominator, the most bland of initiatives, which everyone can agree to. Pap. A leader who seeks true reform will never get bold ideas or recommendations from task forces or working groups if consensus is the priority objective.

Section 941 would obviate the need for activities that masquerade as horizontal integration but in reality waste precious time and expensive human capital.

Finally, Section 941 would require the Secretary of Defense to take action “as the Secretary considers appropriate” to “streamline the organizational structure and processes of the Office of the Secretary of Defense.” Thus Section 941 actually requires a reduction of bureaucracy, but does so after the empowered cross-functional teams are working effectively and producing results not obtainable from consensus-driven committees. At that juncture, it would be easier for the Secretary to determine where the staff can best be reduced.

**Does Section 941 clarify or confuse lines of responsibility?** The Administration expresses concern that Section 941 “would give directive authority over other elements of the Department and authorize them to requisition personnel and resources from other parts of the Department without regard to competing mission requirements.” The “without regard” to competing requirements is not true. Section 941 has a specific provision that allows the head of a functional component to appeal to the Secretary to review and modify decisions made by one of the Secretary’s cross-functional teams. However, the administration’s concern demonstrates that the bureaucracy correctly understands that Section 941 teams would be truly empowered to pursue missions, unlike the existing consensus-based committees. Rather than being concerned that the Section 941 teams would confuse lines of responsibility, the Pentagon bureaucracy is actually worried about the explicit responsibility and accountability Section 941 confers upon the Secretary’s mission teams. These teams would break the functional silos monopoly on advising and acting on behalf of the Secretary and Deputy Secretary.

Section 941 specifies that the Secretary “shall delegate to the team such decision-making authority as the Secretary considers appropriate in order to permit the team to execute the strategy;” that within that delegated authority, “the leader of a mission team shall have authority to draw upon the resources of the functional components of the Department and make decisions affecting such functional components;” and that “the leaders of functional components may not interfere in the activities of the mission team.” That language clarifies rather than confuses responsibility. The efficacy of such teams was demonstrated by Secretary Gates, who created multiple cross-cutting organizations to deal with vital issues that the Pentagon bureaucracy could not solve, including care for wounded warriors and

priority warfighting acquisition programs. These groups functioned as genuine cross-functional teams and produced positive outcomes for the Secretary unconstrained by the functional hierarchy. They had clear authority to accomplish their missions and did not “confuse the lines of authority” for Secretary Gates.

**Does Section 941 represent congressional micromanagement or legitimate use of congressional powers?** Once it is clear that Section 941 actually empowers the Secretary, rolls back bureaucracy, and clarifies who will work cross-functional problems for the Secretary, it is not hard to challenge two more general criticisms aimed at Section 941. Asserting Section 941 is overly prescriptive supports the administration’s broader charge that the current National Defense Authorization Act “micromanages” DoD. Once it is clear that Section 941 is not overly prescriptive, but instead provides the Secretary with a tool he controls and directs at his discretion, the micromanagement allegation withers. Congress is simply asking the Secretary to use 21<sup>st</sup> Century organizational practices well established in the private sector whose efficacy is strongly substantiated by research literature.

**Can Secretaries of Defense achieve Section 941’s objectives without a legislative mandate?** Thirty years of evidence argue convincingly they cannot. Even Secretary Gates, one of the most skillful secretaries, proved unable to engineer an institutional solution for the Pentagon bureaucracy’s tendency to produce least-common-denominator consensus positions. Even so, both critics who level the micromanagement charge and supporters, like Secretary Gates, of empowered cross-cutting mechanisms often wonder whether the use and management of cross-functional teams ought to be left entirely to the discretion of the Secretary of Defense. They sometimes add, correctly, that the teams cannot succeed without strong support and careful oversight from the Secretary anyway.

However, this point just underscores the importance of strengthening the Secretary’s ability to use cross-functional teams. Few Secretaries understand the importance of cross-functional teams, much less how to create and manage them well. Secretary Gates stressed the critical importance of such groups, but otherwise, senior Pentagon leaders have largely overlooked their potential.

Legislating the use of cross-functional teams would ensure the department pays close attention to their potential. It would also reinforce the legitimacy of the teams and increase the willingness of career civil servants to support them. Perhaps most importantly, resistance to their use by functional leaders would diminish, giving the teams a much better chance to succeed. In short, there is no need for a trade-off between great leaders and great organizations. We need great leaders and modern structures, healthy cultures, and other organizational practices and attributes conducive to high-performance. Section 941 gives the next Secretary a necessary tool for running a 21<sup>st</sup> Century Pentagon, and if he or she are determined to make the most of it, so much the better.

## Overall Assessment of Section 941

Organizations normally cannot reform themselves. Businesses typically have to look to outside consulting firms to help overcome internal inertia and denial. The Pentagon has repeatedly demonstrated its inability to undertake organizational change even when evidence of the need for change is compelling. It opposed the two largest transformations in the last 70 years: the Goldwater-Nichols Act and creation of U.S. Special Operations Command. It is now opposing the Senate's encouragement to take teaming and collaboration seriously. Perry, White, England, and Gates discovered they could occasionally override bureaucratic norms, but they could not reform the institution for lasting improvements in performance.

Given the Pentagon's long-standing inability to correct its organizational defects, Congress would be fully justified – even obligated, just as it was in the Goldwater-Nichols Act – to use its Constitutional powers “to make rules for the government and regulation of the land and naval forces.” Congress has a right to demand that the Department of Defense adopt 21<sup>st</sup>-Century organizational practices – that it have an organizational strategy; that it employ cross-functional teams for cross-functional missions and work; that it have an organizational culture aligned with operating requirements; that it provide proper training and incentives; and that it employ simplified structures and processes.

Section 941 contains the right ideas to launch the Pentagon on the use of cross-boundary collaboration. It provides better and faster ways of integrating expertise and making decisions that are imperative in today's complex, fast-paced security environment.

Section 941 finds the right balance between congressional mandate and freedom of action for the Secretary of Defense. It does not prescribe matters better left to the Secretary. The Secretary would determine (1) DoD's organizational strategy; (2) the missions and other priority outcomes to be addressed by cross-functional teams; (3) the role, authorities, reporting relationships, resourcing, manning, and operation of the teams; (4) when teams are established and who will lead them; (5) the charter and strategy of the teams; (6) how OSD would operate, would build a more collaborative culture, and would train and incentivize its personnel; and finally, (7) how OSD would be streamlined in the future. Section 941 gives the Secretary a tool to use at his or her discretion and provides legitimacy for its use in the face of certain bureaucratic resistance.

## Conclusion

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

I urge the committee to remain steadfast in enacting this provision. Safeguarding national security must become a more collaborative enterprise. New Pentagon leaders would be wise to embrace and use to good effect the tools provided by Section 941. Cross-boundary collaboration should then spread throughout the Department of Defense and into the interagency, where it is desperately needed.

Once enacted, the two Armed Services Committees will need to carefully oversee the implementation of Section 941, just like they did the Goldwater-Nichols Act. In this regard, the Senate Armed Services Committee should refuse to confirm presidential appointees who do not show a deep knowledge of collaboration and cross-functional teams and a commitment to their effective use.

The Goldwater-Nichols Act, profoundly shaped by this committee, has served the nation well. It is time now to enlarge upon that historic success by expanding cross-functional collaboration to the Pentagon headquarters, where strategy, plans, operational support, and acquisition decisions for U.S. forces are made. Our servicemen and women need and will benefit from a Pentagon headquarters capable of making the best possible decisions and risk tradeoffs while keeping pace with the complexity and turbulence of 21<sup>st</sup>-Century security threats. They currently do not have such a Pentagon.

In Section 941, the committee mandates the use of exactly the type of decision-making mechanism the Pentagon needs to overcome its institutional shortcomings and better execute its missions. The transformational changes envisioned in Section 941 would require inspired and committed leadership by senior Pentagon officials and vigorous oversight by Congress. However, once instituted, pursued, and perfected, the use of cross-functional teams can have a positive impact every bit as great as the original Goldwater-Nichols legislation. In good time, the benefits of Section 941 will be abundantly manifest, just as the benefits of empowered joint warfighting commanders are now clear. All the committee has to do to take another historic step forward is stay undeterred on its current course. I encourage you to do so, and thank you for your visionary leadership on this critical issue.

GEN (RET) STANLEY MCCHRYSTAL  
OPENING STATEMENT ON STRATEGIC INTEGRATION AT THE DEPARTMENT OF  
DEFENSE  
SENATE ARMED SERVICES COMMITTEE  
TUESDAY, JUNE 28, 2016

Chairman McCain, Ranking Member Reed, Members of the Committee:

Thank you for having me here today to discuss the potential value of the use of cross-functional teams to the Department of Defense. As a general rule, I believe strongly that they offer great potential for the Department to cope effectively with the dramatically more complex operating environment it faces - and will increasingly face in the future.

As background, my experiences during two tours on the Joint Staff, and as Commander of the Joint Special Operations Command, and later NATO's International Security Assistance Force in Afghanistan, have led me to conclude that we uniformly move forward with the best of intentions, but often focus on the wrong thing. We fixate on finding optimal solutions to discrete problems, searching for the 'right' policy or strategy to a given challenge, and then find ourselves unable to effectively execute it.

I've concluded that identifying a compelling answer or clever strategy is easier than performing the actions necessary to implement it. The Department of Defense has bright and committed people who are dedicated to advancing American security interests and are intellectually capable of devising sensible and effective answers. But there are structural, institutional, and cultural obstacles to achieving the collaboration and synergy essential to prosecuting these policies and strategies effectively.

Let me be clear: this is not a new problem. While in Afghanistan in 2009 I re-read Robert W. Komer's 1972 searing narrative on Vietnam entitled "Bureaucracy Does Its Thing" in which he concludes that "whatever the wisdom of the various U.S. decisions to intervene in Vietnam, there is also much to be learned by the way we went about it... This does much to explain why there was such an immense disparity between the cumulatively massive effort mounted and the ambiguous results achieved. It also helps explain why such a gap emerged between policy and performance - between the guidelines laid down by the policymakers and what was actually done in the field." As I read his words in 2009, I felt as though Komer was reporting from Kabul.

A conclusion that I draw from these and other historical examples is that often it is not the conflict that is unwinnable; or even the crafting of an effective strategy; rather, it is our inability to execute that prevents our victory.

To be sure, we rarely struggle with the technical or tactical aspects of war. We have honed a force of seasoned professionals peerless in the mechanics of combat. But Clausewitz reminded us that, at its heart, war is politics, and there is far more to achieving victory than tactical competence.

Today we are discussing the potential value of Cross Functional Teams and they are clearly not the panacea for all the challenges of national security – far from it. But they represent an opportunity for fundamental change that should not be ignored.

My belief in the power of Cross Functional Teams was strongly reinforced when, in 2003, I took command of the Joint Special Operations Command - probably the best Special Operations Force ever fielded. On paper, we had everything we needed to succeed: quality people, generous resourcing, and aggressive, thoughtful strategies. And yet, Mr. Chairman, in Iraq we were losing.

Designed to conduct carefully planned raids against targets that had been exhaustively studied, our force was almost elegant in its precision – carefully crafted to combat traditional target sets. But 2003's Al Qaeda in Iraq was fundamentally different from its namesake, Usama Bin Laden's 1988 creation. Leveraging information technology to achieve a level of organic adaptability, they reflected characteristics, attributes, and capabilities never before seen in a terrorist organization. And against this constantly changing enemy we found our insular collection of exquisitely honed skills unequal to the task. We were impressively capable for a war different from that which we found ourselves fighting.

Iraq held up a mirror to our forces and we realized that we were incapable of achieving the necessary synergy at the required speed. Our elite forces, we discovered, would not be able to execute our strategy unless we fundamentally changed the way that we operated. Like most organizations, the special operations community was proud and courageous, but the product of legacy structures, processes, and culture. To win we had to change.

We set about changing the way that we did business. Traditionally built around a culture of secrecy, we aggressively shared information with each other and with our interagency partners. Hierarchically structured, we delegated authority to more junior commanders and empowered them to take the necessary action to pursue the enemy. Historically separated from our interagency partners by an antiquated set of sclerotic bureaucratic processes, we invited liaisons from other Departments and Agencies and collocated them with our operators in an effort to overcome parochial infighting and increase common purpose.

These efforts, when taken in tandem, enabled us to harness all of the resources of the enterprise in support of our strategy. We would spend years refining this approach but the ultimate result was a tapestry of partnerships and information sharing that would fundamental change the way that we executed the fight.

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

The cross-functional teams that we built during this time accomplished this feat by lowering the cultural and institutional barriers that had hampered us during the earlier days of the war. Removing these barriers enabled these teams to push information, share critical assets such as air support, and most importantly – build trust. This trust led to a common purpose that has historically eluded large hierarchical organizations.

The combination of trust and common purpose permeated everything we did as an organization. Information and asset sharing would not have been possible without the knowledge that partner forces were working towards the same goal and committed to the same fight. Interagency partners would not have shared information and resources if they did not trust our operators and analysts and also known that we were all after the same goal. Trust and common purpose were the foundation upon which we could experiment with new processes. The result was the evolution of an elite tactical *command* into a networked, adaptable *team of teams* capable of strategic effect.

After I left the military, industry leaders wanted to learn how they too could create and use cross-functional teams. Many industry leaders found themselves in complex environments that had silently overwhelmed their traditional ways of operating. 20<sup>th</sup> century business practices that relied on process optimization and workforce efficiency were no longer effective. Much like my experience in Iraq, today’s complex world held a mirror to industry leaders. They too realized that they were structurally incapable of operating at the speed required for success.

Much as we had relied on precision military strikes, many industry leaders had come to rely on antiquated notions of reductionist thinking. My team and I found that businesses were also subject to their environments – and the 20<sup>th</sup> century was squarely defined by the precepts of scientific management. This school of thought, epitomized by Frederick Winslow Taylor, emphasizes the need to optimize business processes by identifying a singular best practice that maximized efficiency and would be a requirement for all workers. Under this paradigm, creativity, flexibility, and the use of historical artisan practices by individual laborers were replaced by systematically studied standards.

Beyond transforming industry processes, Taylor also changed the relationship between management and workers. In *The Principles of Scientific Management*, Taylor leaves little ambiguity regarding his thoughts on the relationship between the two when he wrote, “[A laborer] shall be so stupid and so phlegmatic that he more nearly resembles in his mental make-up the ox than any other type... he must consequently be trained by a man more intelligent than himself into the habit of working in accordance with the laws of this science before he can be successful.”

When said like this, Taylorism seems antiquated and a relic of the Industrial Age. But the effects of this school of thinking have been surprisingly pervasive and insidious. While there have been some challenges to Taylorism and its precepts, the central belief that effective enterprise is a function of efficiency and the role of management is to provide directives on how best to advance this enterprise has been, until recently, relatively unchallenged. And quite frankly, Mr. Chairman, this approach has worked to varying degrees in a complicated world.

But the complicated has given way to the complex. The environment we exist in today is radically different than that of the 20<sup>th</sup> century.

Mr. Chairman, Members of the Committee, it is worth spending a bit more time on the significance of operating in a *complex* environment because we have entered into an age and an environment for which we are dramatically underprepared. It is easy to focus on discrete problems or issues but what we are encountering as a society is much more fundamental.

We are used to operating in an environment where we expect that our actions will have a predictable and consistent effect. That is not the world we live in any longer. In a complex system, events are driven by causes that are so numerous, so intertwined, that they elude our traditional attempts for prediction and planning.

Many businesses are still structured for 20<sup>th</sup> century problems. I come across leadership teams that operate using antiquated management practices, trying in vain to master a complicated environment that has silently given way to complexity. Despite their best efforts, they have found that they cannot scale and adapt at the speed required to stay competitive. Many have learned what I concluded in Iraq: doing the same thing, but harder and with more intensity, will not lead to victory.

As the Special Operations community saw in Iraq, complexity cannot be confronted using antiquated methods. But redefining structures, processes, and cultures can enable an organization to work as a network. Building trust and common purpose across a team will ensure that the foundation is in place to have all resources leveraged towards the same problem – and any other problems that may arise out of this newly complex environment.

I have spent the last five years witnessing these kinds of transformations in the private sector – transformations akin to those that I saw with the Joint Special Operations Command. But these transformations begin with a choice. Organizations that effectively adapt to complexity make the conscious decision to assess their business and workforce against four capabilities that, in my opinion, define adaptable teams: *trust, common purpose, shared consciousness, and empowered execution.*

Only when they make the choice to honestly assess themselves against these criteria can they set the foundation for structural, institutional, and cultural change.

Before any procedural or structural efforts can be taken, managers that have historically issued directives have to transform themselves into leaders that empower their workforce. No longer are they managers of efficiency; rather, they have to learn how to trust their employees; build trust amongst their employees; and enable their workforce and set the conditions for their success.

I've come to believe these managers will have learned how to lead like gardeners by tending to their workforce, providing the conditions for success, and allowing teams to grow to meet their business challenges. They know when to get involved and, just as importantly, they know when to step back and give their teams space and freedom to operate.

Once leaders have critically assessed themselves, they need to assess the organization. Leadership needs to understand the level of trust within the organization because all future cooperation and collaboration stems from individual and organizational trust. They also need to honestly assess whether employees and business units are working towards a common purpose, or whether legacy compensation structure incentivize individuals and business units to watch out for themselves. Executive teams should know whether teams have the requisite information to accomplish their goals, and whether these teams are empowered to act on timely and sensitive information.

These foundational efforts enable companies to create the processes and structure that link strategy to execution. Much as the efforts of the Special Operations community led to the organic creation of cross-functional teams, building trust and common purpose throughout businesses allows them to operate as networks. Trust enables teams and individuals to honestly and constructively assess their goals, priorities, and efforts against those of the rest of the organization. Common purpose, built through leadership, education, and time, will align an organization towards an overall strategy.

I have seen businesses create cross-functional teams using many of the same tools that the Joint Special Operations Command used in Iraq and Afghanistan. Businesses create clear plans that outline vision, mission, and guiding principles. Once they set the true north goals for the organization, executives encourage their business units to create supporting objectives, strategies, and initiatives. Following these efforts to strategically align the organization, leadership teams conduct an analysis of how to empower the workforce by determining decision-making roles and delegating authority to the lowest possible level.

Business leaders then bring this construct to life through the establishment of information-sharing forums, very much like we did in the Special Operations community through the daily Operations and Intelligence briefs. These forums serve as both the lifeblood and connective tissue necessary to create a networked, adaptable organization. Executive teams have the opportunity to provide overall guidance to the organization while business units can provide feedback, best practices, and critical information to enable timely action.

Much as Special Operations Forces partnered with interagency counterparts to quickly identify and act upon opportunities, the aggressive flow of information throughout the organization both enables the identification of business opportunities that may have otherwise been missed as well as the quick creation of cross-functional teams across business units to take advantage of these opportunities.

In a previous life, I saw leads from intelligence community partners trigger a series of raids against a terrorist or insurgent network. Now I see sales teams providing insight to developers on customer requirements; financial advisors from different divisions collaborating on how best to service an important client; and insular technical researchers collaborating with one another on which tools can best advance their collective work.

What is equally important is what I didn't see. During my leadership of the Joint Special Operations Command, I consciously took myself out of tactical-level decisions. This enabled my units to quickly pursue opportunities that my involvement would have otherwise delayed. Similarly, I see business executives similarly taking themselves out of lower-level business operations. They are allowing their teams to react quickly to fleeting opportunities. The rapid pursuit of these transient openings allows an organization to face complexity by mobilizing rapid responses based upon relevant and timely information – not the predilections of an executive team whose position is based on increasingly obsolete methods of planning.

These efforts – when coupled with continued leadership and workforce training –result in an adaptable, resilient organization or business that has the ability to harness all of the resources of the enterprise in support of that strategy. In essence, those that succeed in this transformation have invested in a movement away from a *command* structure to that defined by *teams*.

My experience in the military and advising industry has taught me that we can take the most brilliant people in the world, put them up against a problem, and they will fail if the structural, cultural, and institutional conditions do not support effective execution. I believe this is the case with the Department of Defense.

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

It has been a great pleasure and honor for me to offer my lessons and experiences in the service of this effort.

Thank you.

Amy C. Edmondson, PhD  
Novartis Professor of Leadership and Management,  
Harvard Business School  
Statement on Strategic Integration at The Department of Defense  
Senate Armed Services Committee  
Tuesday, June 28, 2016

Chairman McCain, Ranking Member Reed, Members of the Committee:

Thank you for the opportunity to discuss the utility of cross-functional teams in business as input for the Department of Defense. My goal is to explain the extensive business use of teams, and why they are considered a necessity for success in today's highly complex, fast-paced world. I also wish to explain why many cross-boundary collaborations fail, along with what is known about the requirements for success. Finally, I will describe the exciting results of successful cross-boundary collaboration and teaming in modern organizations.

As background, my expertise is in Organizational Behavior. I am on the faculty at Harvard Business School, where I teach and conduct research on organizational learning, and leadership for the past 25 years.

### **The extensive business use of teams.**

The use of teams in business organizations is widespread. Fast-moving global markets and disruptive technologies have forced companies to find new ways to innovate, and teams play a central role in innovation, as elaborated below. But teams are not new to the business world. Starting in the 1980s and gaining momentum in the 90s, the implementation of team-based structures has been long recognized by business leaders and academics as vital to organizational effectiveness. By 1998, 70% of workplaces with 50 employees or more employees had implemented teams.<sup>1</sup> In a recent survey, 88% of managers in global corporations reported spending at least half of their time working in teams.<sup>2</sup> In sum, work in today's companies – be it production, sales, new product development, systems innovations, or strategy formation – is increasingly carried out in teams.

Two basic motivations explain the pervasive use of teams in the private sector:

First, and most important, certain organizational activities cannot be accomplished effectively by functional hierarchies because they require people to integrate diverse information, expertise, or interests, through back-and-forth sharing of ideas, information, and constraints. When well-managed, diverse teams can accomplish this kind of work effectively and quickly.

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<sup>1</sup> M. Gittleman, M. Horrigan, and M. Joyce (1998). "Flexible" Workplace Practices: Evidence from a Nationally Representative Survey. *Industrial & Labor Relations Review* October 1998 52: 99-115,

<sup>2</sup> The Ken Blanchard Companies (2006). *Research findings: The Critical Role of Teams*. Accessed at [www.kenblancard.com](http://www.kenblancard.com), June 24, 2016.

Second, research has shown that participating in well-managed teams promotes commitment and buy-in. Indeed, teams are seen as a crucial element of high-commitment work organizations. In large, complex organizations, people often feel a deep sense of loyalty to their team members rather than to the company as a whole, and it is this loyalty that binds them to the organization. When individuals build relationships across functions or departments by participating on a team doing meaningful work for the organization, it leads to positive outcomes including better employee engagement, retention, and performance. In short, when teams work, both the technical and human dimensions of the organization are well served.

Teams also function as a key mechanism for organizational learning, itself a crucial source of competitive advantage in a fast-paced environment. Most companies use teams to analyze current processes and performance, and to design and implement necessary changes. This reflection-action capability is akin to the U.S. Army's after action reviews (AARs) widely celebrated by organizational researchers. This collective learning capability is important because today's business leaders consider ongoing organizational change a necessity for continued success in a changing world. By organizational change, I include small process improvements as well as the periodic major organizational transformations that allow iconic companies like IBM and Ford to recover and survive after extreme industry turmoil threatened their very existence, while other firms, such as DEC or American Motors, disappear into history.

### **Cross-functional teams, collaboration, and collaborative cultures**

Teams come in many forms in the corporate sector, most notably self-managed teams, leadership teams, and cross-functional teams. The related terms, collaboration and collaborative cultures, describe attributes of effective teams, but do not directly indicate the existence of formal teams of any kind. Collaboration refers to the willingness of people, within and across company functions or departments, to help each other to solve problems or carry out work on behalf of the organization, especially in horizontal relationships. Collaborative culture describes an atmosphere and behaviors of cooperation trust, and mutuality an organization.

For the purpose of today's hearing, I focus on cross-functional teams, which are teams created for the express purpose of accomplishing work requiring multiple areas of expertise or interest to be considered concurrently. A cross-functional team brings individuals from different organizational units or functions to work together, with shared responsibility for a specific deliverable. The clearest example of such work in business is new product development (NPD). Several decades ago, NPD was accomplished by people working in separate functions – sales, marketing, design, engineering, manufacturing, accounting, and so forth – each completing their respective tasks and “throwing them over the wall” to the next function to take over. This was not only slow, it produced poorer quality products and services. Without what organizational scholars call “reciprocal coordination” – or back-and-forth discussions of merits, constraints, challenges and opportunities – complex problems cannot be solved in innovative and effective ways. In the U.S. automotive industry, blindsided by dramatically faster and higher-quality product development in leading Japanese car companies, a revolution in NPD occurred in the late 90s, when a cross functional team approach was implemented. As documented by Steve Wheelwright, Kim Clark and other scholars at HBS, cross-

functional teams dramatically improved product innovation and speed of development in the US automotive and other industries.<sup>3</sup>

To satisfy market expectations with respect to time and quality, cross-functional teams are considered a necessity in most industries today. No successful company would consider returning to the functional hierarchy for NPD, for instance. Yet, cross-disciplinary teamwork is not solely for new product development. Such teams have also improved performance in patient care, supply chain management, and airline service, to name just a few that have been extensively studied.

Not every business task requires a team-based approach. For many activities, individuals can complete work more effectively alone and teams can slow down progress. Hierarchical management systems were designed based on the principle that managers had the necessary knowledge and perspective to tell people what to do, when to do it, and what standards of performance were acceptable. This principle no longer holds when leaders lack the full set of expertise and information needed to design and control the work, or when situations change faster than communication can flow up and down command and control structures. Functional hierarchies are a good design for efficiency, scale, cost control, and accuracy when managing routine and well-understood problems and activities. But certain problems – those that are novel and/or need input or cooperation from multiple parts of the organization – demand a team-based approach. This is why people in my field increasingly consider a company’s ability to form, lead and nurture high-performance teams as critical to its long-term success.<sup>4</sup> Whether a business serves consumers (“B to C”) or businesses (“B to B”), cross-functional teamwork is increasingly considered vital to the delivery of high quality products or services in a timely manner to customers.

Merely forming a team does not guarantee its success. Good design and good leadership are both crucial to ensuring that a team’s potential performance translates into actual performance.

### **The requirements for successful cross-functional teams**

Even when people agree about the need for teams (and/or the need for change), teamwork and change are difficult to implement. Existing culture, habits, processes, systems (including IT systems) and rewards can be barriers to success. Many people may sincerely agree with the case for change but fear losing power, or fear feeling incompetent in the proposed new organization. Or, people may not be given the resources to implement the change. And a frequent culprit is leaders who fail to “walk the talk” – to model behaviors that demonstrate that they value collaboration. It is well known that people attach more importance to what leaders do than to what they say.

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<sup>3</sup> Wheelwright, S. C., & Clark, K. B. (1992). *Revolutionizing product development: Quantum leaps in speed, efficiency, and quality*. New York: Free Press.

<sup>4</sup> J.R. Katzenbach & D.K. Smith, (2006) *The Wisdom of Teams: Creating the high performance organization*. New York: Harper Business; Deloitte University Press: *Global Human Capital Trends 2016*, “The new organization: Different by design,” accessed at [www.deloitte.com](http://www.deloitte.com), June 24, 2016.

Many teams fail because the necessary conditions for their success have not been implemented. These conditions are not outlandish or complicated; rather they will strike most listeners as common sense. Yet, they cannot be taken for granted in organizations, because leaders may fail to invest the effort in setting teams up for success for a variety of reasons.

In short, team success starts with effective team design, including establishing a clear, engaging direction for the team's work, appropriate team composition (including the right size and skill mix for the work), access to necessary resources and information, and team leadership and coaching to help manage the team process. Next is the effort to develop the norms (attitudes and behaviors) and processes of healthy teamwork.

My own research examines both factors, design and process, but has particularly emphasized process, and the impact of team member beliefs and behaviors. Specifically, in multiple studies across industries, I have shown that a climate of psychological safety is an important factor in shaping team learning and team performance. Psychological safety refers to a climate characterized by mutual respect and interpersonal trust, in which candor is expected and welcomed. Psychological safety matters especially in teams characterized by diversity (of expertise, status, or demographics), and in teams working to innovate or create new processes. A widely publicized study at Google earlier this year found that psychological safety was “far and away the most important of...five dynamics” in explaining team performance at Google. The other four “dynamics” were team-member dependability, structure and clarity of roles and goals, meaning (people saw work they were doing as personally important) and impact (people believed the work mattered and created change in the organization).<sup>5</sup>

Cross-functional teams will be in tension with the pre-existing functional structure, especially at first. This is exactly why they should be created. A part of their job is to force the organization to make changes in how things get done. This can work well for creating necessary changes, if the teams are supported from the top (with resources and support) and if they are framed as ‘learning teams’ to help educate and shift the organization from its current to a new state.

In my experience, organizations that try to change the culture by focusing on the culture often come up short. Rather, to create a more collaborative culture, the key is to identify important work that requires collaboration to be accomplished. Assign strong individual contributors to a team with a clear and engaging directive, and give them support and resources. It is by doing the work in a new way that a new culture starts to take shape. In my view, shifting the work drives culture change, rather than the other way around.

### **The impact of successful cross-boundary collaboration on modern organizations**

The results of successful cross-boundary collaboration can be truly remarkable. The dramatic rescue of 33 miners in Chile in 2010, trapped beneath 2000 feet of rock was one such example; the rescue involved collaboration across multiple areas of expertise,

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<sup>5</sup> Duhigg, C. (2016) What Google learned in its quest to build the perfect team. *The New York Times Magazine* February 28, 2016.

organizations and even industries, in which people had to work together to innovate on the fly through fast learning cycles.<sup>6</sup> Reflecting on the details of the rescue, which I studied extensively, it becomes stunningly clear that a top-down, command-and-control approach would have failed. What was required, facing the unprecedented scale of the mining disaster, was cross-sector teaming—multiple temporary teams of people working separately on different types of problems, and coordinating across these teams, as needed. It also required remarkably effective leadership – at the level of individual teams and at the very top of the rescue organization.

In the less dramatic context of business, leading companies like Cisco and Google view cross-disciplinary teams as critical to their success – to shorten project lifecycles and ensure that multiple perspectives are used to identify and serve client needs. In the public sector, breaking down silos can unleash improvements. A recent study conducted by Deloitte and the Harvard Kennedy School showed how public officials can mobilize people from different groups to work across boundaries to create value.<sup>7</sup> Finally, a growing literature documents collaborations across companies and sectors that produce innovations and results that would be impossible for any organization to accomplish alone.<sup>8</sup>

The remarkable business turnaround at Nissan in the early 2000s – from the brink of bankruptcy to renewed market leadership – is one of the best examples I know of how a small number of focused cross-functional teams, working with clear direction from the top, can accomplish remarkable business results.<sup>9</sup> CEO Carlos Ghosn formed 9 cross-functional teams early in his tenure; each was asked to address a specific organizational or business problem. The teams were composed of middle managers and experts from different functions. Each team was headed by a team leader and had direct access to specific senior executives for direction, feedback, resources, and more. Each was challenged to come up with a specific proposal supported by a clearly demonstrable financial impact; they worked tirelessly for months, and succeeded beyond anyone's expectation (except perhaps those of the company's confident CEO!). Team members reported the experience as exhausting but rewarding and meaningful. Within two years, the organization was on its way to recovery, with impressive market and financial success.

### **Comments on the elements of Section 941.**

The recommendations of Section 941 strike me as highly reasonable and arguably overdue. The following *objectives* in Section 941 are as particularly salient and

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<sup>6</sup> Edmondson, A.C. (2012). *Teaming: How organizations learn, innovate and compete in the knowledge economy*. San Francisco: Jossey-Bass.

<sup>7</sup> Eggers, W.D. and O'Leary, J. The power of cross-boundary collaboration. Accessed June 26, 2016 from <http://www.governing.com/columns/mgmt-insights/power-cross-boundary-collaboration.html>

<sup>8</sup> A.C. Edmondson (2016) "Wicked Problem Solvers: Lessons from Successful Cross-industry Teams." *Harvard Business Review* 94, no. 6 (June): 53–59.

<sup>9</sup> M. Yoshino, and M. Egawa, (2006). *Nissan Motor Co. 2002*. Boston. Harvard Business School Case # 9-303-042.

admirable; they are consistent with current best practice and theory on the use of cross-functional teams.

- *To enable the Department to integrate the expertise and capacities of the components of the Department for effective and efficient achievement of the missions of the Department. (p. 694 bottom)*
- *To enable the Department to focus on critical missions that span multiple functional issues, to frame competing and alternative courses of action, and to make clear and effective strategic choices in a timely manner to achieve such missions... (p. 695)*
- *To enable the Department to anticipate, adapt, and innovate rapidly to changes in the threats facing the United States, and to exploit the opportunities to counter such threats offered by technological and organizational advances (p. 695)*

It is reassuring that the Section recognizes the following *impediments*:

- *Sequential, hierarchical planning and decision-making processes oriented around functional bureaucratic structures that are excessively parochial, duplicative, resistant to integration, and result in unclear, consensus-based outcomes that often constrain the ability of the Department to achieve core missions effectively and efficiently*
- *Layering of management structures and processes that result in decisions being made by higher levels of management where the authority for cross-functional integration exists but detailed substantive expertise is often lacking or being reduced to lowest common denominator recommendations to senior leaders that suppress rather than resolve disputes across functional organizations.*

With awareness of these impediments, progress is far more likely, through leaders taking necessary precautions to plan and educate senior leaders and others.

I believe this important recommendation (from *solutions*) provides essential guidance. The goal should not be to create more task forces or committees to discuss and advise leadership about organizational challenges but to create cross functional teams, advised and empowered by top leadership to make decisions.

- *“Mission teams are decision-making organizations rather than advisory bodies” (p. 699)*

Great leaders in both business and government recognize the complexity and uncertainty in which their organizations must operate today. It is their task to bring their organizational structures and cultures along, so that they too can recognize and thrive in this new world. Teams are by no means a panacea. But when well-designed, well-led, and motivated by the greater good, the results can be awe inspiring. I hope that this brief perspective from a management researcher adds something of value to the discussion.

It is an honor for me to offer my insights in the service of this effort.

Thank you.