ACKNOWLEDGEMENTS

SMART CHANGE TASK FORCE PARTICIPANTS
Joan Dempsey, Booz Allen Hamilton, Task Force Chair
Mary Corrado, Deloitte Consulting LLP
Dr. Ruth David, ANSER
Paul Dettmer, Booz Allen Hamilton
Peggy Evans, Senate Select Committee on Intelligence (SSCI)
Martin Faga, MITRE
Jay Farrar, Bechtel Group
Bob Farrell, Seneca Technology Group
Patrick M. Hughes, L-3 Communications Corporation
Larry Kindsvater, Kindsvater Consulting
Dr. L. Roger Mason, Office of the Director of National Intelligence (ODNI) (Participation as a panel member does not imply personal or official endorsement of the views in this paper by either Dr. Mason or the Office of the Director of National Intelligence)
Joseph M. Mazzafrro, Oracle National Security Group
Rich McFarland, Parsons
Maureen McGovern, KSB Solutions
Al Munson, Potomac Institute for Policy Studies
John Nichols, The Potomac Advocates and INSA Executive Committee
J.R. Reddig, CACI Technologies
Paula Roberts, ODNI (Participation does not imply personal or official endorsement of the views in this paper by either Ms. Roberts or the Office of the Director of National Intelligence)
Terry Roberts, Carnegie Mellon Software Engineering Institute
Terry Ryan, ManTech International
Mike Sheehy, McBee Strategic Consulting LLC
Bryan Smith, House Permanent Select Committee on Intelligence (HPSCI)
Harold Smith, Computer Sciences Corporation
David Stephens, ODNI (Participation does not imply personal or official endorsement of the views in this paper by either Mr. Stephens or the Office of the Director of National Intelligence)
Admiral Bill Studeman, INSA Board of Advisors
Mary Sturtevant, Lockheed Martin Corporation

BOARD CHAIRWOMAN
Frances Fragos Townsend

INSA STAFF
Ellen McCarthey, INSA President
Chuck Alsup, INSA Vice President for Policy
Sarah Beane, INSA Senior Research Intern

EDITORIAL REVIEW
Joseph M. Mazzafrro, Oracle National Security Group

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EXECUTIVE SUMMARY

The U.S. Intelligence Community (IC) provides critical information to key policy makers and military commanders, giving these leaders unique advantages in the execution of their national security responsibilities. In this current period of economic challenges and large government deficits, the IC will likely be asked to do its fair share to economize and reduce spending as much as possible without jeopardizing the mission critical intelligence capabilities that provide this decision advantage. The IC faced a similar challenge in the 1990s following the end of the Cold War as many hoped to realize a “peace dividend” through reduced spending on the armed forces and the IC. In consultation with the Congress and the Director of National Intelligence (DNI), the Intelligence and National Security Alliance (INSA) formed a task force composed of IC officials, past and present, as well as public and private sector partners, to review lessons learned in the 1990s with the intent of formulating recommendations to help avoid repeating the mistakes made in that period of fiscal constraint. The SMART Change Task Force held three panel sessions focused on manpower, acquisition, and organization.

A primary theme which emerged from these discussions was that the DNI should view upcoming budget challenges as an opportunity to drive change and focus on the truly critical priorities, not just as a difficult period to get through. This is an opportunity to redefine, realign, and refocus the IC’s missions in conjunction with a strategic vision. A strategy, clear goals, and well-defined priorities for the IC must be provided by its leadership in order to achieve the desired end state and avoid previous mistakes. The Task Force believes that the ODNI should assume significant manpower reductions over the next five years. Investment in technology and innovation for analytic efficiency will be critical. Additionally, developing a more constructive oversight partnership with the Congress is essential for success.

THE SMART CHANGE TASK FORCE DREW SEVERAL CONCLUSIONS, INCLUDING THE FOLLOWING:

Manpower
- Regardless of final budget numbers, the DNI should plan for significant manpower reductions over the next five years and make these reductions along capabilities and programs, not by arbitrary percentage reductions to the entire workforce.
- The DNI should look at and manage manpower as an investment program, composed of all workforce components including civilian, military, and contractor.
- The IC could benefit from adopting proven best practices from industry to maximize collective performance and accountability, including an incentives structure to reward performance. Performance measures, both individual and organizational, are essential.
- There is a need to maintain hiring in a budget downturn to avoid demographic and youth gaps.

Acquisition
- The DNI must continue to nurture an IC-specific acquisition process.
- Technological superiority is a U.S. and IC imperative. Sufficient, consistent research and development funding is essential for maintaining that superiority.

Organization
- A base assumption for this paper was that the current IC structure is sufficient. As such, advocating any sort of zero-based review or radical structural reorganization would be unwise.
- It is vital for the DNI to define strategic intelligence issues in order to drive collection and analysis by some portion of the IC toward those long-term requirements.
- Potential reductions can motivate the IC to think about future threat challenges and build capabilities to address those threats, which will likely be based on asymmetric capabilities.
- Homeland security intelligence and its related domestic intelligence component remain a challenge for the IC. It is crucial to define the issues and responsibilities clearly and implement the necessary changes to get this element of national intelligence right.
INTRODUCTION

The fall of the Berlin Wall in 1989 and the dissolution of the Soviet Union shortly thereafter were monumental events in modern history to which the U.S. Intelligence Community (IC) contributed greatly. Understandably, many U.S. citizens were relieved that the Cold War and such concepts as “mutual assured destruction” were gone. Additionally, many were hopeful that some of the funding which had been going to support a dominant, high-tech Air Force, a 600 ship Navy, a large standing Army, and a burgeoning IC with comprehensive, exotic collection capabilities could be re-directed to other priorities — the so-called “peace dividend.”

There were, in fact, significant defense reductions during the 1990s. The active duty armed forces were reduced by almost half, despite the unanticipated requirement to liberate Kuwait in the first Persian Gulf War and subsequent operations in the Balkans. Some weapons systems programs were scaled back or discontinued, and tactical and operational intelligence systems and manning were significantly reduced. Contrary to popular belief, however, there were not significant funding reductions for the IC. In fact, since 1981, spending on national intelligence activities has increased annually, albeit in some years the increases were very small and only compensated for inflation. There were some significant manpower reductions and hiring freezes that will be discussed in more detail later in this paper, but these reductions were deemed important at the time in order to ensure adequate funding for other programs. The manpower reductions led to the illusion that overall funding had decreased. Even so, the post-Cold War IC was unprepared for constrained growth in the 1990s and made some ill-advised manpower decisions, the repercussions of which are still being felt today. This included shedding capabilities in such areas as Latin America and Africa that have proven difficult to quickly rebuild in a complex and multi-polar world order.

Following this period of marginal growth and, in some cases, real reductions in overall capabilities, the IC experienced exponential growth in the aftermath of September 11, 2001, increasing both manpower and capabilities. Recent global economic challenges and fiscal realities at home are now causing a serious evaluation of our spending on national security and significant reductions are likely looming. The lessons of previous periods of fiscal challenges can be an important guide for the IC as it prepares to implement changes to cope with the fiscal realities of 2012 and beyond.
While overall spending on national intelligence activities did not decline in the 1990s, defense spending on military intelligence activities did decrease. In the aftermath of the first Persian Gulf War when General Norman Schwarzkopf said he was not well-served by intelligence, a significant portion of the responsibility to support military operational forces shifted to the national IC. Even after the Department of Defense (DoD) began to reinvest in military intelligence capabilities post-September 11, this heavy military reliance on national intelligence continued to grow. During a period of real decline in national intelligence funding that the IC may be facing, a better balance between national intelligence priorities and support to military operations will have to be achieved.

Finally, in the 1990s, the United States was experiencing a rapidly growing economy, unlike the current economic challenges facing the nation. Economic growth and expansion, particularly during the mid- and late-1990s, was steady and sustained both in the United States and globally. Budget restrictions were imposed not out of economic necessity, which is a contributing factor to today’s fiscal constraints, but because of the perception that the United States did not face major threats with the dissolution of the Soviet Union and thus could afford to reduce military and national intelligence spending. The booming economy and widespread belief in the “peace dividend” should have eased the implementation of reductions, but strategic mistakes were still made. Today, a tight economic climate and fiscal imperative to reduce budgets will have an added impact on every aspect of any programs and plans the DNI chooses to implement. In today’s environment, the IC has far less margin for error than it did in the 1990s.

The INSA SMART Change Task Force reviewed lessons learned from this fiscally challenging period and potential ways ahead in an austere funding environment. In the context of today’s mission requirements, the reality of budgetary reductions and fiscal deficits, the Task Force believes that a look back at past lessons would be instructive for making recommendations for SMART Changes to the IC to adjust to current realities. INSA hosted three invitation-only panel sessions to address the potential impact of budget cuts on manpower, acquisition, and organization. Panelists and participants included senior IC members and overseers – past and present – and private sector partners who lived through the constrained fiscal period of the 1990s. Reflecting the high caliber and long experience of the panelists and audience members in each session, the discussions were informal and driven primarily by the experience and concerns raised by panel members.

This paper seeks to highlight the areas of consensus the Task Force achieved through impassioned discussions on key themes relevant to national security today. These recommendations and lessons learned are pulled directly from discussions during panel sessions and are grouped by area of concern, i.e., manpower, acquisition, and organization of the IC. The Task Force is hopeful that the key conclusions and suggestions at the end of this paper may be helpful to the Director of National Intelligence (DNI) and his fellow IC leaders in negotiating upcoming budget challenges. The Task Force strove to include only demonstrable goals that the IC can target practically, rather than “aspirational” goals that we cannot expect to influence effectively.
MANPOWER

Throughout much of the 1990s, significant cuts in military intelligence manpower, reductions in civilian intelligence billets, and constrained hiring were required in almost all IC agencies in order to meet Congressionally mandated personnel reductions in a challenging fiscal environment of little, if any, funding increases. These circumstances led to demographic anomalies for the IC, including the current “bathtub” of mid-career employees, as well as some reductions in overseas posts, which proved ill-advised when reviewed retrospectively. Since September 11, the IC has experienced significant growth, particularly in manpower, both government and contractor. It is commonly understood that personnel costs rise at a rate higher than inflation because of costs associated with benefits, retirement, and related issues. During the 1990s period of constrained budget growth, some IC agencies spent more than half of their annual budgets on manpower, leaving little discretionary funding for modernization, development of new capabilities, or infrastructure improvements. In the current fiscal environment, it is unlikely that the IC can continue to afford current manpower levels. Therefore, over the next decade it will likely need to reduce the government and contractor manpower levels it has reached.

At the same time, the IC’s acquisition of new information gathering resources and information technologies has improved overall mission capabilities, but has also overwhelmed its intelligence analysts and senior officials with a deluge of information. Adding more analysts, however, should not be the default. Without significant improvements in our ability to manage information and knowledge, this reduce-expand-reduce manning cycle poses, arguably, the single greatest threat to the continued ability of U.S. intelligence to meet the nation’s national security needs.

First and foremost, the IC should look at manpower as an investment program. Manpower in this sense should include all workforce components, including civilian, military, and contractor. The Task Force is not recommending a better way to manage personnel, but instead suggesting that manpower be viewed more from a program management perspective that includes a robust incentives structure for exceeding program goals. Tradeoffs must be considered, and program decisions should be made based on the effectiveness of manpower strategies and resources available to ensure that the best possible manpower choices are brought to bear. In order to make informed decisions about how to best manage IC resources, the community needs to develop better performance metrics, particularly in areas that have grown rapidly in the past ten years.

Without significant improvements in our ability to manage information and knowledge, the reduce-expand-reduce manning cycle poses the single greatest threat to the continued ability of U.S. intelligence to meet the nation’s national security needs.
Another important concept the IC should continue to embrace is a performance based personnel system. Such a system would ultimately improve the Community’s ability to carefully target cuts to the workforce, as opposed to imposing flat, blanket reductions imposed across the Community. Additionally, adopting a meaningful merit-based system could facilitate the rebalancing of the grade structure, the growth of which has been excessive and should be addressed. A reward system would also be important in future budget cuts as a way to encourage strong performers to stay in government service instead of leaving for private sector opportunities. When determining how and by how much to reduce personnel, leaders should target and offer incentives properly to retain talent and release poor performers. In the past, agencies have been too reliant on volunteers to leave positions and have been unable to target weak performers effectively because of the lack of a disciplined, merit-based process. While a comprehensive “pay-for-performance” model may remain elusive, the use of performance measures will be increasingly important in shaping an effective workforce. During times of constrained or reduced resources, it is critical to remember that any decisions to reduce manpower should be strongly based on mission priorities.

Given that personnel costs generally increased on an annual basis during the 1990s regardless of the budget top line and have generally risen four to six percent annually in recent years, this will likely become an increasingly bigger problem as the top line flattens or decreases. Without taking early and aggressive steps to remedy looming personnel challenges, acquisition, recruiting, and research and development (R&D) will suffer greatly. It is vital to start planning attrition and accession goals now to ensure a viable, demographically balanced workforce, rather than simply reacting as budget reductions are being imposed. This includes not only establishing goals that will maximize manpower allocated to mission priorities, but also maintaining adequate levels of supporting manpower. Related to this is the need for the IC to retain adequate technical expertise to avoid overreliance on Federally Funded Research and Development Centers and contractor expertise. Additionally, if new authorities are necessary to downsize effectively, it is imperative to seek Congressional support early.

In looking at manpower as a program composed of contractor, military, and civilian components, the contractor workforce is often singled out because it is the easiest target. It is imperative not to succumb to that temptation during the upcoming period of fiscal restraint. Rather, the Community should evaluate optimal ways to use industry, which could include incentivizing contracts from a delivery approach. Incentivizing contracts to focus on delivery, rather than on filling seats, will be more difficult to implement, but it is the smartest way to manage the size and expense of the workforce without sacrificing the ability to fulfill mission requirements. During the 1990s, the IC decreased manpower billets and used that money to buy contractors to compensate for the lost manpower. After September 11, the Community needed expertise quickly in certain areas and did not have the capability to accomplish its missions with the personnel and expertise available. To address this problem, the IC hired more military, civilian, and contractor personnel for these new areas without a manpower strategy that would have guided the total workforce capability available to the Community. As a result, over the past twenty years, the IC has built up a large workforce that is unsustainable, particularly in the face of upcoming budget reductions.

A key challenge for the Community will be implementing significant reductions to the workforce without destroying core IC capabilities while concurrently incentivizing the continued service of top performers.
Industry has many technologies that are not readily available to the government. Smart partnering with industry could increase the IC’s access to new, constantly changing software, hardware, and other technical solutions.

As the Community begins to adjust to new fiscal realities, it has the opportunity to develop a strategy with a predetermined end result and a plan to achieve those goals with the right mix of civilian, military, and contractor support. It must also develop effective tools for knowledge management to support this better balanced workforce, delivered by an agile and dependable acquisition system. A key challenge for the Community will be implementing significant reductions to the workforce without destroying core IC capabilities while concurrently incentivizing the continued service of top performers.

A recurring theme during panel discussions was the need to maintain a hiring pipeline, even in a budget downturn. In the 1990s, agencies froze recruitment instead of increasing attrition, particularly in the technology sector. One of the largest problems of the 1990s, this strategy increased the average grade of the workforce while cutting the IC off from a critical source of innovation and thinking, resulting in a demographic and youth gap during the formative days of the new information age. Youth are critical for both innovation and their quick grasp and acceptance of new technologies.

A caveat to the above comments is that experienced and effective analysts or operatives must be recruited, trained, mentored, and exposed to the appropriate professional challenges in order to be successful. Most necessary skills for HUMINT operatives or analysts cannot be grown overnight, and an overemphasis on youth over experience has the potential to be detrimental to mission accomplishment if not pursued in balance. There is also a tendency to equate training with experience, but true competence in any intelligence discipline can only come from a balanced professional development regimen that includes world class training, exposure to an array of professional experiences in the field and at headquarters, effective mentorship, and professional education.

Finally, the Community must continue to look for manpower efficiencies through better use of open-source and enhanced partnerships. The Community has yet to fully integrate and exploit open-source intelligence. Increased emphasis and improved techniques, including better knowledge management tools, must be employed to pursue this field more efficiently. Additionally, recruiting must increase in various open-source sectors which are unexploited, such as financial services. Enhanced partnerships with the private sector could take advantage of effective and proven industry mechanisms that are not applied in government, such as Six Sigma or systems engineering tools. Industry has many technologies that are not readily available to the government. Smart partnering with industry could increase the IC’s access to new, constantly changing software, hardware, and other technical solutions. Partnering for increased effectiveness and efficiency also extends to getting the most out of our information sharing relationships with foreign partners, particularly where they may have better access or historical advantage.

Youth are critical for both innovation and their quick grasp and acceptance of new technologies.
During the tightening fiscal climate of the 1990s, technical fields such as science and technology, along with research and development, received disproportionate attention and reductions relative to their importance. Cuts in these areas have always been less contentious than cuts in major programs or in personnel accounts. As we all know, these areas produce the “seed corn” for future innovation and capabilities. Thus, lack of investment in these areas can have disastrous, long-term effects. Additionally, lack of investment and deferral of maintenance on critical infrastructure during the 1990s contributed to the significant power and space problems currently being experienced by some IC agencies. Moreover, the pace of technological growth during the 1990s was exponential and largely occurring in areas not directly related to the defense industry, particularly innovation in information technology. Companies who did not traditionally work with or want to engage the IC were swiftly advancing technologies in the new information age, initially leaving the IC behind the technological curve. The IC, historically secretive and content to develop its own technologies in-house or through a small core of trusted private companies, saw its perceived technological advantage in certain disciplines wane or disappear and its decentralized, traditional acquisition processes unable to respond in a timely, comprehensive manner. These circumstances, combined with less than optimal strategies to cut manpower, including attrition, the hiring freeze, and an emphasis on reducing numbers, produced something resembling a perfect storm of challenges for the IC at the turn of the century.

During the strategic pause in the 1990s after the Soviet Union collapsed, intensive collection fell off and programs were targeted in order to open funds for modernization. Even in such an environment, reducing or eliminating programs still caused major fights within and between agencies. In today’s environment, where there is no illusion of a strategic pause but only ever-increasing, often unanticipated threats and requirements that have to be covered, it will be even harder to reduce or eliminate programs.

The IC’s need for unique platforms and capabilities demands flexible acquisition rules and processes that embrace risk management, in lieu of the more risk averse processes appropriate for Defense acquisition. Twenty years of close adherence to Defense acquisition rules does not appear to have significantly improved intelligence capabilities, saved money, or shortened development timelines. That said, the IC cannot abandon disciplined execution and oversight in its challenging acquisition programs. The current IC requirements process has not always been helpful in developing the capabilities the nation needs. Continuing refinement of a credible, disciplined requirements process that establishes reasonable, enforceable, and affordable expectations for major acquisition programs is clearly needed.
The Task Force reached a general consensus that there should not be a single acquisition process but multiple processes and strategies. Additionally, competition in acquisition is not always the best path to a cost effective acquisition program. Over the last twenty years, the IC has learned that buying IT systems and associated software in the same way as satellite systems does not work well. The IC should think about acquiring IT and software in the appropriate way: at the enterprise or program level through multiple acquisition processes. The Community certainly requires long-term acquisition processes, but it also requires shorter term processes to satisfy interim, unanticipated requirements, as well as a quick reaction capability to acquire new technologies rapidly. The nature of technical software and expertise today require continual refreshing, but current budget parameters make this difficult to do and risk stagnation.

The pace of technological growth has been exponential and often outstrips the program-of-record mindset associated with current acquisition processes. The acquisition and budget request process is mismatched to the pace of technological change. While much of this process is Congressionally mandated and would require legislation to adjust, there are many things that can be done to improve acquisition. Since the 1990s, the IC has struggled to maintain the requisite technical competence in its workforce and in its acquisition efforts, resulting in programs that lag behind the cutting edge and personnel unable to understand state-of-the-art technologies.

In order to execute acquisition processes well, budgets must match aspirations. Failure to allocate resources from end-to-end on a project will sub-optimize funds. Unexpected government requirements greatly increase the costs of programs, and contractors and the IC share blame for acquisition inefficiencies. Strong program management is also essential to successful execution. Program managers with little or no technical background or expertise predispose the IC to an asymmetric and challenging interface with industry at best. There is a need for competent people who can both partner with industry and challenge industry’s estimates and programs. Competence in program management comes from experience and involvement in the process, whereas young, inexperienced acquisition employees often fall back on tendencies of risk avoidance.

In addition to effective program management, sound systems engineering is an important and often lacking component of acquisition. Systems engineering is also important for the duration of the program and would be best utilized by extending it from a newly acquired system into the legacy environment. An ongoing problem with acquisition is that the IC acquires too many capabilities that do not play together from an enterprise perspective.

There is a need for competent people who can both partner with industry and challenge industry’s estimates and programs.
Of utmost importance is budgeting to independent cost estimates and funding stability, as well as effective testing and evaluation. The Task Force noted existing ODNI efforts along these lines and emphasized the need to protect independent cost-estimation capabilities in tighter budgetary periods in order to prevent pressure on in-agency estimators to reduce their estimates to fit budget constraints. Once independent estimates have been received, budgets must include end-to-end resource allocation for the life of the acquisition program. In tight budgets, there is a tendency to try to save money by stretching out the acquisition process. This may reduce the annual expense, but the program will inevitably cost much more overall because the duration is extended, and its relevance to current problems may be greatly diminished because of the delays in fielding and outdated technology.

The DNI should continue to establish top priorities for the IC, keep them updated, and conduct regular reviews of acquisition projects based on the program’s contribution to meeting overall IC priorities and the mission each capability would serve. In the past, projects have been evaluated in terms of individual capabilities and not based on the priority missions the capabilities will achieve. Programs should be budgeted according to their priority based on mission capabilities. The focus should not only be on “what does this technology or program do?” but also “why do we need this capability and what purpose does it serve in advancing national security?” Regardless of budget climate, whichever system is good enough to collect the necessary technical requirements and is the best value investment should be the chosen project. The National Intelligence Managers (NIMs) concept, recently introduced by Director Clapper to evaluate base capabilities and to determine how to use them to solve the Community’s hardest problems, is a good step in this direction. There is a need to evaluate what already exists in the IC that is not being used to its fullest extent in order to optimize existing capabilities, determine gaps, and truly focus acquisition efforts on those critical gaps.

There was unanimous agreement regarding the importance of maintaining research and development, even during periods of fiscal constraints. For the United States, technological superiority is a national security imperative. Globalization has created a situation where even some of the most esoteric and promising technologies are being developed outside of the United States. Even within the United States, there is a large disconnect or gap between what industry is actually working on and what the government believes industry is doing in R&D. It is imperative that the defense and intelligence communities identify the truly transformational technologies – the crown jewels of technological superiority – and incentivize American industry to maintain its advantage in these areas. The R&D community deserves an IC acquisition process that can quickly get cutting-edge technologies in the hands of operators.
Since September 11, 2001, with the creation of a terrorist threat center, the establishment of a Department of Homeland Security, the subsequent passage of the Intelligence Reform and Terrorism Prevention Act in 2004, and a significant restructuring of the FBI, the IC is now much different in terms of organization than it was during the 1990s, and it continues to evolve. Although the Director of the Central Intelligence Agency (CIA) nominally served as the head of the IC, the Director of Central Intelligence (DCI) authorities with regard to the IC at large were ambiguous at best. This perceived lack of authority was due, in part, to the division of the IC budget, of which the DCI directly controlled only approximately ten percent. As a result of housing a significant portion of the national intelligence agencies, as well as the tactical intelligence assets of the military services, DoD determined over eighty percent of the remainder of the IC budget and personnel. While the DCI and his representatives could promote interagency cooperation and sharing, the lack of clear budgetary and employment authority meant other agencies could benignly ignore DCI directives that conflicted with those of their parent department. Moreover, intelligence collection and analysis tended to be self-contained, stovepiped, and withheld within agencies, and only reluctantly shared within the IC, if at all. Individual agency cultures throughout the IC inhibited collaboration, information sharing, and networking in the Community.

Compared to manpower and acquisition, there was less consensus among task force participants regarding organization as an issue of strategic importance to the nation’s security. Rather, the Panel believed that organization can aid success or failure, but it is not central to either. It is possible to succeed despite poor organization, as well as to fail with excellent organization. Management should not be constrained by organization, and effective leadership is always necessary to succeed. While the current IC structure is not optimal, its functions are improving. Consistent with this, the Panel agreed that the current IC structure is sufficient, and doing any sort of zero-based review or advocating radical structural reorganization would be unwise and therefore is not a near-term necessity.

Most participants felt that the DNI could work within the current organizational construct and authorities to integrate leadership, enhance cooperation and information sharing, and improve business practices. Although the DNI possesses all necessary authorities, difficulties associated with hiring and firing were cited by many participants as a significant flaw. Previous and
current DNIs have been unwilling to utilize certain management authorities as extensively as they might for fear of potential negative consequences. Another struggle the ODNI has faced previously is establishing planning guidance and determining what to de-emphasize once priorities have been set. With the existing budget authorities and the ability to set priorities, the current DNI has significant power and opportunity to guide and manage the IC effectively. The DNI should ensure that other necessary authorities are clear and exercised, such as allocation and program decision authorities. Additionally, it is imperative that IC members, IC partners and customers, the White House, and Congress continue to evaluate the ODNI concept to ensure it adds value and is not just another layer of bureaucracy or “churn.”

Additionally, the DNI has competing roles that require appropriate balance: as the President’s chief intelligence officer and as the manager of the IC. There was agreement that it was very difficult to have the same person driving the strategic intelligence process and considering future threats while at the same time providing downtown, current intelligence support to the President. As such, the DNI must view the IC as a strong and central instrument of national security, and the DNI must execute this responsibility as a critical instrument of national security in the policy process. The increasing importance of intelligence in the policy making process is clear, but it is incumbent upon the DNI to ensure the integrity of the intelligence process. In the interest of an intelligence process that maintains long-term relevance, some portion of the IC should focus on strategic intelligence and “over-the-horizon” issues. As manager of the IC, one of the DNI’s critical missions should be to define strategic issues that can be collectively addressed and potentially solved. Defining the issues at a strategic level allows the IC to better drive collection and analysis toward meeting those requirements.

Many panelists, including a former CFO of the CIA and a former Comptroller of the CIA, were concerned with separating the NIP from the DoD budget. Generally, most agreed that while there are costs and benefits to both options, the IC gained more than it lost when the NIP was combined into DoD’s budget. Problems associated with the separation could intensify during future budget cuts or if a future DNI and Secretary of Defense do not have as positive a relationship as the current incumbents. Even with excellent relations between the two positions, the IC receives benefits from the NIP being within DoD, which it will lose when the NIP is separated from DoD’s budget. That said, since the NIP will be consolidated outside of DoD’s budget, the DNI could take advantage of this by expanding consolidation incrementally [in concentric circles] in such areas as acquisition processes and personnel systems, building on top of each individual step in order to achieve true consolidation.

The increasing importance of intelligence in the policy making process is clear, but it is incumbent upon the DNI to ensure the integrity of the intelligence process.
The new DNI position has had a positive effect on such things as establishing strategic IC priorities, developing a more unified budget, and sharing information within the IC and with partners.

Domestic intelligence remains a challenge for the U.S. Intelligence Community. The foreign intelligence mission remains more prominent and enjoys more support than the domestic mission throughout the IC. If allowed to continue as such, this lack of focus and neglect of domestic intelligence will inevitably lead to future failures. It is crucial to define the issues clearly and then execute and implement changes as necessary. The Community has not embraced this aspect of its mission as it has the foreign intelligence component.

There was general consensus among the participants that the establishment of separate DNI and DCIA positions was inevitable in the wake of conclusions by the 9/11 Commission and the WMD Commission. Participants also agreed that the new DNI position has had a positive effect on such things as establishing strategic IC priorities, developing a more unified budget, and sharing information within the IC and with partners. Many felt, however, that the establishment of a DNI and the associated support structure of the ODNI has not yet resulted in significantly improved IC function and may have inadvertently impeded more meaningful integration of the CIA into the larger IC. The CIA is a special and unique organization whose contribution to overall IC efforts must be integral and optimized without diluting its important core missions. Enhanced ODNI and CIA synergy is essential to achieving optimal IC integration. The requirement that the ODNI not be co-located with any other element of the IC also may have limited meaningful integration and hindered easy access to the talent and resources of other agencies, particularly the CIA. When the position of DDCI/Community Management was an integral part of and co-located in the CIA, the position arguably held significant influence and leverage within the CIA. While not completely successful, some argued that this position was very effective at promoting change in the CIA from within and exposing CIA personnel to a broader IC culture. While co-location may no longer be a realistic option, the SMART Change participants agreed enhanced ODNI and CIA cooperation and associated synergy was critical for the IC writ large.

Improvement of congressional intelligence oversight was widely agreed to be a necessary target for reform. The ODNI should encourage White House involvement in undertaking efforts to build a better partnership between the legislative and executive branches regarding intelligence matters. Regardless of the budget environment, programs are always proposed that are not crucial to national security. A constructive dialogue and partnership on the most critical intelligence programs is imperative. Congressional reaction to events or significant intelligence activities needs to be measured and carefully considered. Conversely, the DNI and the IC need to build trust and a reputation for transparency by engaging oversight committees as early as possible.
CONCLUDING THOUGHTS

The DNI has the opportunity to use the probability of declining budgets to drive change, but doing so will require a strategy and consistent, enduring oversight to execute the plan. Reductions should be viewed as an opportunity to “reset” the IC, not as something to get through. During times of fiscal constraint, the DNI has the opportunity to redefine, realign and refocus missions. This, however, requires strategic planning and foresight before budget reductions or significant cuts become a reality. The Task Force recommends that the ODNI assume significant reductions over the next five years, rather than hoping for small reductions and planning one year to the next. Even if not as severe as some predict, this is a moment to seize, particularly with regard to re-evaluating manpower needs and rebalancing manpower costs within the overall budget. During times of “plenty” as has been experienced for the past ten years, many “nice-to-have” programs make their way into the budget. Many are manpower intensive and often quickly outlive their usefulness. Rigorous performance metrics to evaluate such programs are essential, particularly those highly compartmentalized programs that, by their nature, are seldom exposed to significant scrutiny.

While there is not a direct corollary between the IC and business models, the IC could benefit from adopting proven best practices from industry to maximize collective performance and hold organizations and people accountable. In order to accomplish this, the DNI could provide incentives for mission performance, full transparency in governance, and regular performance reviews to ensure the leadership’s vision is followed throughout the Community. It was noted that the heads of agencies may be able to come together and agree on strategy and key decisions, but implementing those decisions through deputies can be far more difficult, as agencies tend to act in parochial ways, which are often contrary to the strategic vision of the IC leadership. While the Task Force is not advocating any sort of zero-based review or radical structural reorganization, adopting industry processes such as regular progress and performance reviews would prevent subversion of strategic goals at lower levels.

To make significant reductions to personnel smartly, the DNI should continue to advocate for a merit based system that embraces performance measures to manage the workforce. This would allow the ODNI and IC agencies to evaluate the workforce, eliminate the lowest level performers, and reward the top performers. A system of this kind would allow the DNI and fellow IC leaders to really manage the manpower they have and make smart, targeted reductions to the workforce. As seen before, standard reductions across the Community with no thought to need or performance are devastating. In order to improve the IC during this time, the DNI needs to define the Community’s mission, maintain a hiring pipeline, grow the right skills in
To make significant reductions to personnel smartly, the DNI should continue to advocate for a merit-based system, such as a pay for performance system, a performance management system, or targeted reductions using a workforce strategy.

the workforce, and shape the people and programs to execute these critical missions.

Rather than succumb to the temptation to blindly cut manpower and the contractor workforce, the DNI needs to pick programs and make cuts along capabilities. There was unanimous rejection of “fair share” reductions, which reduce everything by a smaller percentage but does not evaluate capabilities, requirements, and efficiencies. Similarly, reducing the workforce is often a first target in times of fiscal constraint, as benefits and wages represent a high percentage of the budget. Cutting along capabilities and programs will be more difficult, but it is a clear imperative for the DNI.

Under the fiscal constraints of the 1990s, technical fields, such as science and technology along with research and development, received disproportionate attention and reductions relative to their importance. The IC’s need for unique platforms and capabilities demands flexible acquisition rules and processes that embrace risk management and also requires funding for research and development, even during periods of fiscal constraints. Moreover, the Task Force reached a general consensus that there should not be a single acquisition process but multiple processes and strategies, including a quick reaction capability to acquire new technologies rapidly.

The Task Force widely agreed on the need to continue developing and integrating two important disciplines: open-source and domestic intelligence. The Community has yet to fully integrate and exploit open-source intelligence. Increased emphasis and improved techniques, including better knowledge management tools, must be developed and employed to pursue this field more efficiently. Additionally, the challenge of domestic intelligence must be addressed in order to diminish the potential for future shortcomings. It is crucial to define the issues clearly and then execute and implement the necessary changes.

Hopefully, potential reductions will motivate the Community to think about the threat challenges of the future and build capabilities around those threats. Without a nation-state peer competitor of the caliber of the former Soviet Union, the threat environment to the nation has changed greatly in the past twenty years. Threats today and in the future are and will likely be based on more asymmetric capabilities, not nation states, although the economic

Proven industry processes, such as regular progress and performance reviews, would prevent subversion of strategic goals by lower levels.

and national security implications of globalization will continue to require careful vigilance. Instead of targeting programs and missions exclusively to particular states, organizations, or entities exclusively, the IC needs to focus on capabilities to address particular threats such as cyber, terrorism, and technology globalization.
KEY RECOMMENDATIONS

• View reductions as an opportunity, not as something to get through: Use authorities decisively
  — Opportunity to redefine, realign and refocus missions
    › Assume significant reductions over the next five years and include appropriate reduced manpower levels into ongoing FY 2013 budget development
  — Think about threat challenges of the future and build capabilities around those threats
    › Cyber, terrorism, technology globalization
    › Threats based on capabilities, not nation-states

• Performance measures: Cut poorest performers and reward others
  — Really manage existing manpower and make smart, targeted reductions in workforce
  — Define the mission, grow the right force skills, and shape the people and programs to execute the critical missions

• Envision and run the IC agencies like business units
  — Utilize proven industry processes to hold units and people accountable; provide
    › Incentives for mission performance
    › Full transparency in governance
    › Regular progress reviews to ensure leadership’s vision is followed

• Invest in technology and innovation that significantly improves management of information and knowledge

• Continue to nurture and empower an IC-specific acquisition process that embraces risk management

• Maintain appropriate levels of investment in research and development
  — Incentivize U.S. industry to gain and maintain technological superiority in the truly transformative technologies

• The current IC structure is sufficient, and any sort of zero-based review or radical structural reorganization would be unwise and therefore is not a near-term necessity

• Further enhance open-source as a discipline and develop related knowledge management tools

• Improve domestic intelligence as a discipline
  — Clearly define the issues and then execute and implement the necessary changes

• Enhance ODNI and CIA synergy

• Seek White House and Congressional support for improved intelligence oversight by designated Committees of Congress
PANELISTS

Chair
JOAN DEMPSEY, Senior Vice President, Booz Allen Hamilton; former Deputy Director of Central Intelligence for Community Management

First Panel: Manpower
MARY CORRADO, Lead Relationship Director, Intelligence Community, Deloitte Consulting LLP; former Chief Financial Officer, CIA
PEGGY EVANS, Budget Director, Senate Select Committee on Intelligence (SSCI); former Acting Chief, National Security Division, Office of Management and Budget
PAT HUGHES, Corporate Vice President, Intelligence and Counterterrorism, L-3 Communications Corporation; former Director, DIA; former Director of Intelligence (J-2), Joint Chiefs of Staff; former J-2, U.S. Central Command
BRYAN SMITH, Budget Director, House Permanent Select Committee on Intelligence (HPSCI); former Professional Staff Member, SSCI; Air Force Intelligence Officer

Second Panel: Acquisition
DR. RUTH DAVID, President and CEO, ANSER; former Deputy Director for Science and Technology, CIA
MARTIN FAGA, Board of Trustees, MITRE; former Director, NRO
LARRY KINDSVATER, President and CEO, Kinsdsvater Consulting; former Deputy Director of Central Intelligence for Community Management
AL MUNSON, Senior Fellow and Member, Board of Regents, Potomac Institute for Policy Studies; former Deputy Director of National Intelligence for Acquisition

Third Panel: Organization
DR. L. ROGER MASON, Associate Director of National Intelligence for Systems and Resource Analyses, ODNI; Participation as a panel member does not imply personal or official endorsement of the views in this paper by either Dr. Mason or the Office of the Director of National Intelligence
ADM. BILL STUDEMAN, INSA Board of Advisors; former Deputy Director of the CIA
MARY STURTEVANT, Vice President, Intelligence, Joint, and Science & Technology Program, Lockheed Martin Corporation; former Comptroller, CIA, and former Budget Director, SSCI

PARTICIPANTS

CHUCK ALSUP, Vice President of Policy, INSA; former Associate Deputy Director for Policy, Plans, and Requirements, Office of the Director of National Intelligence; former Senate Armed Services Committee staffer; former Army Intelligence Officer
MARY CORRADO, Lead Relationship Director, Intelligence Community, Deloitte Consulting LLP; former Chief Financial Officer, CIA
PAUL DETTMER, Senior Associate, Booz Allen Hamilton; former Deputy Director, ISR, HQ US Air Force; former Vice Director, Intelligence (J-2), Joint Chiefs of Staff
PEGGY EVANS, Budget Director, Senate Select Committee on Intelligence (SSCI); former Acting Chief, National Security Division, Office of Management and Budget
JAY FARRAR, Head of Washington Office, Bechtel Group; former Deputy Assistant Secretary of Defense for Legislative Affairs; former legislative assistant to Chairman of the Joint Chiefs of Staff; former National Security Council Director of Legislative Affairs
BOB FARRELL, President and CEO of Seneca Technology Group, and INSA Executive Committee; former VP & General Manager, General Dynamics Engineering and Integration; former President, Veridian Information Solutions; former President, MRI Technology Solutions
PATRICK M. HUGHES, Corporate Vice President, Intelligence and Counterterrorism, L-3 Communications Corporation; former Director, DIA; former Director of Intelligence (J-2), Joint Chiefs of Staff; former J-2, U.S. Central Command
JOSEPH M. MAZZAFRO, Strategic Plans for Military Intelligence, Oracle National Security Group, and INSA Executive Committee; former Naval Intelligence Officer, Director of Services, Office of Naval Intelligence
ELLEN MCCARTHY, President, INSA; former Director of the Human Capital Management Officer and former Director of the Defense Intelligence Reform, the Office of the Under Secretary of Defense for Intelligence; former Director of Intelligence Operations, Strategy and Policy, U.S. Coast Guard; former Deputy Director of Analysis, Atlantic Intelligence Command
RICH MCFARLAND, Vice President, Government Relations, Parsons; former Director of Government Relations, Raytheon; former Director of Government Relations for Space and Intelligence Programs, Raytheon; former Director, U.S. Air Force
MAUREEN MCGOVERN, President, KSB Solutions; former contractor with General Electric, Martin Marietta, Lockheed Martin
AL MUNSON, Senior Fellow and Member, Board of Regents, Potomac Institute for Policy Studies; former Deputy Director of National Intelligence for Acquisition
JOHN NICHOLS, Partner, The Potomac Advocates, and INSA Executive Committee; former Special Assistant to the Secretary of Defense for Legislative Affairs, Space, Intelligence & Special Programs, Air Force Intelligence Officer
J.R. REDDIG, Executive Technical Director, CACI Technologies; former Strategic Planner for U. Gen. James Clapper (on DMI Staff), Navy Congressional Liaison Officer, and GDIP Staff Director
PAULA ROBERTS, Associate Director of National Intelligence for Human Capital, ODNI; Participation does not imply personal or official endorsement of the views in this paper by either Ms. Roberts or the Office of the Director of National Intelligence
TERRY ROBERTS, Executive Director of the Acquisition Support Program/Interagency and Cyber, Carnegie Mellon Software Engineering Institute, and Chair, INSA Cyber Security Council; former Deputy Director of Naval Intelligence; former Director of Requirements and Resources, Office of the Undersecretary of Defense for Intelligence
TERRY RYAN, President, Systems Engineering and Advanced Technology Group, ManTech International; former Professional Staff Member, HPSCI and SSCI
MIKE SHEEHy, Executive Vice President, McBee Strategic Consulting LLC; former National Security Advisor for Speaker of the House, Nancy Pelosi; former Democratic Staff Director and Chief Counsel; House Permanent Select Committee on Intelligence
BRYAN SMITH, Budget Director, HPSCI; former Professional Staff Member, SSCI; former Air Force Intelligence Officer
HAROLD SMITH, Vice President and General Manager, Intelligence Business Unit, Computer Sciences Corporation, and member of the CIA Director’s Board of Advisors; former Senior Vice President of Intelligence, Security, and Technology Group, SAIC
DAVID STEPHENS, Assistant Deputy Director of National Intelligence for Strategy, ODNI; former Acting Senior Director for Counterproliferation, National Security Council; former Staff Officer, Office of the Assistant Secretary of Defense for International Security Policy; Participation does not imply personal or official endorsement of the views in this paper by either Mr. Stephens or the Office of the Director of National Intelligence
MARY STURTEVANT, Vice President, Intelligence, Joint, and Science & Technology Program, Lockheed Martin Corporation; former Comptroller, CIA; former Budget Director, SSCI
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