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**FROM POLICY TO PRACTICE: EVALUATING  
PLANNING, PROGRAMMING, BUDGET, AND  
EXECUTION REFORM RECOMMENDATIONS**

Weitgenant, Ryan; Koester, Ryan K.

Monterey, CA; Naval Postgraduate School

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**FROM POLICY TO PRACTICE: EVALUATING  
PLANNING, PROGRAMMING, BUDGET, AND  
EXECUTION REFORM RECOMMENDATIONS**

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March 2025

**By: Ryan Weitgenant  
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**FROM POLICY TO PRACTICE: EVALUATING PLANNING,  
PROGRAMMING, BUDGET, AND EXECUTION REFORM  
RECOMMENDATIONS**

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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF SCIENCE IN DEFENSE CONTRACT MANAGEMENT**

from the

**NAVAL POSTGRADUATE SCHOOL  
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# **FROM POLICY TO PRACTICE: EVALUATING PLANNING, PROGRAMMING, BUDGET, AND EXECUTION REFORM RECOMMENDATIONS**

## **ABSTRACT**

The DoD Planning, Programming, Budgeting, and Execution (PPBE) process is a critical but outdated framework for resource allocation. Our study uses recommendations from the Commission on PPBE Reform, established by the FY2022 National Defense Authorization Act. Our hypothesis is that the Commission’s recommendations can improve the adaptability and efficiency of the PPBE process to better align it with the National Defense Strategy (NDS) to meet defense challenges. We also hypothesize that some recommendations may have lower initial resistance, but each requires analyzing their impacts on interconnected factors at the operational DoD level. Of the 28 proposed recommendations, we selected four to analyze based on their potential to increase efficiency, flexibility, and fiscal accountability. Using the Burke-Litwin Change Model, we evaluated recommendations such as replacing PPBE with the Defense Resourcing System (DRS), transform the budget structure, increase flexibility in operating funds, and update below-threshold reprogramming values. Our analysis showed that these recommendations improve organizational responsiveness and decision-making efficiency. Challenges with stakeholder resistance and implementation complexity were identified but can be mitigated using phased adoption and communication strategies. Our findings highlight the potential of these reforms, offering actionable methods to modernize DoD resource management while addressing evolving defense challenges.

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## LIST OF ACRONYMS AND ABBREVIATIONS

ADA	Anti-deficiency Act
BES	Budget Estimate Submission
BTR	Below Threshold Reprogramming
CAPE	Cost Assessment & Program Evaluation
CR	Continuing Resolutions
DoD	Department of Defense
DPG	Defense Planning Guidance
DRS	Defense Resources System
FY	Fiscal Year
FYDP	Future Years Defense Program
GAO	Government Accountability Office
MAJCOM	Major Command
MCAA	Major Capability Activity Area
NDAA	National Defense Authorization Act
NDS	National Defense Strategy
O&M	Operations & Maintenance
OSD	Office of Secretary of Defense
POM	Program Objective Memorandum
PPBE	Planning, Programming, Budgeting and Execution
RDT&E	Research, Development, Test and Evaluation

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## I. INTRODUCTION

The Planning, Programming, Budgeting and Execution (PPBE) process strategically allocates budgetary resources for the Department of Defense (DoD).

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2022 created an independent Commission on PPBE Reform, within the legislative branch, to conduct a comprehensive assessment of the process and to make recommendations for improvement. The law directs a specific focus on budgetary processes that affect defense modernization. (PPBE Reform Commission, 2024, p. 2)

The commission was tasked to examine the PPBE process because of the emergence of peer adversaries and the continuation of technology growth that affects U.S. national security (PPBE Reform Commission, 2024). The PPBE process does not respond quickly enough to support the warfighters or provide the flexibility to meet national defense needs. The commission noted that a DoD leader cautioned that the PPBE process is so slow and time-consuming that it limits the use of new technologies and gives adversaries an edge (PPBE Reform Commission, 2024). The commission, and what was tasked to them and the recommendations developed are explained further in Chapter II. The commission identified 28 recommendations to reform the PPBE process. We determined that it would be inefficient to address all 28 recommendations in the report. Since some of the recommendations in the reform report had overlapping courses of action, or were based on another recommendation, we evaluated the 14 critical recommendations the commission identified and chose four from that list. We used a criterion of impacts on flexibility, efficiency, fiscal accountability, and feasibility of implementation which is further explained in Chapter II. Chapter II also includes a background of the PPBE process and a brief history of changes.

Chapter III discusses change management and the different change management models in use today. A skeleton of factors needs to be identified to understand the implications of changing an organization, especially as large as the DoD. A system of interacting functions is more easily identifiable through change management models. The change management model used in this study is the Burke-Litwin Model because it

includes external factors, and it shows how transactional and transformational changes influence the organization. It provides a causal map showing how different factors impact an organization (Burke & Litwin, 1992). This design establishes a more in-depth diagnosis of the internal and external factors that influence performance. This also makes the model much more suitable for a complex organization, like the DoD, where there are a multitude of layers where both influence and feedback need to be taken into consideration.

Chapter IV is an analysis focused on applying the four recommendations through the model. Each recommendation uses the model as a guide to identify implementation challenges by identifying the risks and impacts of various factors throughout the organization. The organization level examined in this thesis is at the operational level of major commands (MAJCOMs). MAJCOMs are the focus, not DoD, because we have the most experience at the operational level and understand how the organization will respond to these changes. Secondly, when the DoD starts implementing these recommendations, the findings from the application may aid in more effective changes throughout the strategic, tactical, and operational levels. The chapter continues with a discussion of the different factors that are affected and how they work with other factors of the organization. Included in the discussion are implementation steps, and stakeholders who will need to be addressed when implementing the recommendations.

The thesis ends with a conclusion chapter, which shows the effects of implementing the recommendations to the DoD. First, the conclusion summarizes the findings from the previous chapter with overarching principles that were identified. Next, the chapter explores the challenges to the implementation of all the recommendations. Lastly, the study provides future research recommendations and a vision for the future.

## II. PPBE REFORM COMMISSION

The PPBE process has a long and extensive history. From its inception to the present day, there have been numerous changes and attempted changes to the process. This chapter discusses the Commission on PPBE Reform, its tasks by Congress, and its recommendations. After, this chapter discusses the four key recommendations chosen from the 28, and then why we chose four of the 14 key recommendations. The chapter ends with an explanation of the current budget process.

### A. COMMISSION ON PPBE REFORM

The Commission was comprised of 14 non-federal government-employed bipartisan former political appointees and industry executives working together with expertise in finance, policy, cost assessment, defense programming, evaluation, and budgeting. The Chair of the Commission was Bob Hale who served as the Comptroller and Chief Financial Officer at the Department of Defense, and as the head of the defense analysis group at the Congressional Budget Office after service as a Navy officer. The Vice-Chair was Ellen Lord, who was a private executive for automotive and defense industries before serving as the Under Secretary of Defense for Acquisition and Sustainment. The other 12 commissioners held roles within private industry and Congress including the House Armed Services Committee and Senate Armed Services Committee, service-level agencies, academia, think tanks, and former military.

The Commission was tasked by Congress to accomplish the following tasks:

- Conduct a comprehensive assessment of the efficacy and efficiency of all phases and aspects of the PPBE process with a focus on defense modernization;
- Review the DoD financial management systems, including an assessment of the Office of the Secretary of Defense (OSD) budget and programming workforces;
- Compare the DoD PPBE process with similar processes of private industry, other federal agencies, and other countries;
- Review the budgeting methodologies and strategies of strategic competitors to understand if and how such competitors can address

- current and future threats more or less successfully than the United States; and
- Develop and propose recommendations to improve the effectiveness of the PPBE process (PPBE Reform Commission, 2024, p. 6).

The Commission used many different methodologies for their research. They used a combination of formal in-person meetings, interviews with over 1,100 personnel, and research from various groups (PPBE Reform Commission, 2024). Some of these interviews were with industry, OSD Comptroller, and CAPE members (PPBE Reform Commission, 2024). In addition, the Commission on PPBE reform used multiple different groups and subgroups to tackle the task of budget reform. They used a combination of research organizations like RAND and the Government Accountability Office (GAO) to help with different studies, such as a comparison case study of Allied and Partner Nations (PPBE Reform Commission, 2024). The Commission set up an outside research team to conduct a review of DoD financial management systems (PPBE Reform Commission, 2024). The Commission then took all this information provided to build the final report titled *Defense Resourcing For the Future*, and published 28 recommendations to address these challenges.

The Commission on PPBE Reform published an interim report in August 2023. The interim report was broken into two different sections: “Potential recommendations requiring stakeholder feedback,” and “Actions that can be implemented now” (PPBE Reform, 2023). The idea of publishing the interim report was to gain feedback from different parts of the DoD, Congress, industry, academia, and research organizations to make improvements on the final report, as well as start making implementable changes based on findings from the Commission.

The Commission released the interim report and explained that some of these recommendations are not policy changes and can be implemented right now (PPBE Reform, 2023). The areas that the commission focused on were “improving training” [for budget justification, and DoD liaisons to Congress], “improve understanding of private sector practices,” and finally, “streamline processes and improve analytic capabilities to reduce workload” (PPBE Reform, 2023). These recommendations are all areas that do not cost dollar reallocation within organizations, but potentially slightly more work upfront.

The idea is that building training on the front end will take time, but in the long run, it will benefit the organization and the people who perform that work daily. The final report was published in March 2024. It included additional policy recommendations that could be implemented in the future and some recommendations that could be implemented immediately. Finally, in a different interview on the interim report the Chair of the Commission, Mr. Bob Hale stated that the DoD and Congress are already implementing one of their suggestions. He states that the recommendation for creating a better communication network has been received and both agree and have started the process of finding a better solution for better communication methods at both a classified and unclassified level (Temin, 2023).

## **B. CRITICAL REFORM AREAS**

The commission focused on five areas for reform that address critical issues with budget and strategy, adversarial threats, and new or emerging technologies that they were tasked with.

### **1. Improve the Alignment of Budgets to Strategy**

The Commission identified a few challenges with the PPBE process. The current process is lacking in agility and does not properly align budgetary decisions with the National Defense Strategy (NDS). The budget timeline and structure are developed before strategic guidance is even established which causes budget and strategy to be misaligned and for budget adjustments to be reactive instead of proactive. The process also does not have effective analytic capabilities to support decision-making. Stakeholders cannot provide analysis in a timely manner, which delays decision-making and reduces budget flexibility. The stages of the current process are burdened by administrative actions that waste time and resources without improving the process. The current life cycle phases of the budget do not support modern requirements or capabilities, reducing budget transparency and flexibility (PPBE Reform Commission, 2024).

## **2. Foster Innovation and Adaptability**

The current PPBE process cannot respond quickly to new or emerging threats or technological developments. Several factors were identified by the Commission that hinder the PPBE's ability to adapt and innovate. The process length for programming and budgeting is very time-consuming and makes it difficult to address relevant technology when it is initially revealed. Lack of flexibility causes funding to be authorized only for a specific program or purpose and for reprogramming to be limited to small dollar amount requirements. The approval cycle begins at the bottom and ends at the top in a hierarchical design. This makes change requests difficult because of the number of approvals required and creates a bottleneck because senior leaders are needed for the final approval. Existing program bias is an issue because the stakeholders for a requirement want to have continued funding for their programs rather than work on developing a new program. Lastly, individuals may have a lack of knowledge of new authorities or practices that have been developed. Many DoD personnel avoid using new or innovative processes in favor of traditional methods (PPBE Reform Commission, 2024).

## **3. Strengthen Relationships between DoD and Congress**

The Commission highlighted challenges with the relationship between the DoD and Congress that impact military readiness and national security. Congress receives extensive defense information in the proposed budget but gets minimal updates afterward. Most updates are only provided when requested, which limits the ability of Congress to respond to changing needs. Also, Congress has increased the number of requests for information (RFIs) and mandatory reports, which simultaneously increases the administrative work for the DoD. Congress is also frustrated with the inconsistent quality of budget justification materials. Additionally, delays with the proposed budget submission degrade the review process. Late budget approvals by Congress force the DoD to adapt to a Continuing Resolution which can decrease operational readiness. Finally, the relationship between the DoD and Congress requires systematic changes in communication (PPBE Reform Commission, 2024).

#### **4. Modernize Business Systems and Data Analytics**

Business systems in the DoD are fragmented and have limited governance, limited authority, and lack of accountability. Modernization is challenging due to interdependent systems that may be outdated or disconnected. Modernizing defense business systems will streamline and speed up resource management processes for the DoD. Having updated systems will support agile decision-making and funding while aligning with the NDS. The business systems used in the DoD range from older custom databases to modern commercial databases with advanced analytics to increase data access for decision-making. The Commission stated how important it is to improve data-sharing between Congress and the DoD. The DoD has made progress with updates and consolidation of systems but there are still gaps in standardization, data-sharing, and auditability (PPBE Reform Commission, 2024).

#### **5. Strengthen the Capability of the Resourcing Workforce**

The Commission was required to assess the OSD civilian workforce, personnel in CAPE, and other areas of the workforce that have important roles in programming and budgeting resource management in the DoD. These individuals represent a small percentage of the total workforce in the DoD, but their high-level roles come with significant demands. One challenge is recruiting and retention with noticeable job vacancies and a high level of turnover annually. Some offices deal with high workload pressure, extensive overtime, and minimal downtime to conduct training or take leave. Staff levels have decreased even though the defense budget has increased. The constant demands from budget formulation, congressional defense, and execution management result in a continuous workload which negatively affects work-life balance (PPBE Reform Commission, 2024).

Within these five areas of focus the Commission developed 28 recommendations that address the limitations of the current processes in place. Of these 28 recommendations, the Commission highlighted 14 that they considered key recommendations that would have the most impactful effects on the PPBE process. We focused on the 14 key considerations but determined that we wanted to identify the most critical items on this list. We developed

selection criteria to narrow our list of the 14 down to four recommendations that we determined would resolve the most significant flaws and weaknesses in the PPBE process.

The budget process is a complex system as shown through the timelines of all the recent changes, and the impacts of today's world. There have been many attempts to reform the budget process with some being successful and others gaining no traction. It is important to note that this Commission has bipartisan support and involvement with industry, DoD, and independent organizations while seeking feedback and building recommendations. The next section, the literature review will build a framework that will be used in the remaining sections to examine a few recommendations to find the hurdles and challenges that will be faced when trying to make the implementations.

### **C. CRITERIA FOR SELECTION**

Our method for selecting the recommendations was based on a set of criteria that would help us determine which recommendations would have significant and long-lasting impacts on the PPBE process at the operational levels, for example a MAJCOM. The selection criteria were as follows:

#### **1. Impact to Flexibility**

A recommendation should enable the DoD to more swiftly and effectively respond to a rapidly evolving or developing threat, as well as to changing geopolitical circumstances. With the increasing unpredictability of dynamic security environments around the world, having the PPBE be able to quickly shift to address a strategic priority based on new or changing information is an essential criterion.

#### **2. Impact to Efficiency**

The PPBE process has been repeatedly criticized for decades regarding its unnecessary complexity and bureaucratic inefficiencies, especially at operational levels. The recommendations were evaluated based on their potential ability to streamline any processes, reduce delays, condense timelines, and eliminate layers of approval and oversight that are unnecessary.

### **3. Impact to Fiscal Accountability**

To reform the PPBE system there must be a balance between efficiency with financial discipline. The recommendations were evaluated on their ability to improve budgetary oversight, cut down on waste, and guarantee resource allocation that produces maximum value to the taxpayers while still meeting the warfighter needs.

### **4. Feasibility of Implementation**

All of the recommendations were deemed necessary by Congress. However, even the most ambitious recommendations had to be evaluated based on their feasibility to be implemented. The size and complexity of the DoD means that only some of the reforms can realistically be implemented with the framework that is currently in place. Drastic changes to the DoD infrastructure would be needed to implement some of the more extensive recommendations.

Using these criteria, we selected four recommendations based on their capability to eliminate the highest percentage of flaws and weaknesses in the PPBE process while also managing the complex and dynamic constraints of resource management for the DoD.

## **D. RATIONALE FOR SELECTED RECOMMENDATIONS**

The recommendations outlined in the PPBE reform report are designed to tackle some of the weakest areas in the current budgetary process. Selecting the recommendations involved evaluating their ability to address inefficiency, increase the agility of some functions, and align budgetary decisions more closely with the NDS. In this section we discuss the four recommendations we selected, justify why we chose them, and introduce what we think their potential impact will be on resource allocation and execution processes for the DoD.

### **1. Recommendation 1: Replace the PPBE Process with a New Defense Resourcing System (DRS)**

The current PPBE process was quite effective during the Cold War. However, with each passing decade since then, it became less suitable for the complex and rapidly changing geopolitical threats, along with the exponential advancements in technology. We

selected this recommendation, replacing the PPBE process with DRS, because it addresses the core problem of the current system being too slow and rigid to meet the demands of the modern national security environment. The goal of the DRS is to synchronize strategy with resource allocation to make the budget process more dynamic and more able to respond to changes. This system keeps the strengths of the PPBE while addressing the weaknesses that have arisen over time. In addition, the DRS would strengthen the link between strategy and resource allocation while also establishing a flexible and agile execution process (PPBE Reform Commission, 2024). Implementing the DRS would also bring with it a non-stop planning and analysis cycle that will link the NDS to the budget development process. This would increase the speed at which the DoD could make better-informed decisions regarding resource allocation (PPBE Reform Commission, 2024). By increasing the speed of capability delivery to the warfighter, while also leveraging data analytics, this recommendation could resolve the issue of the lack of adaptability and speed in this vital decision-making process.

## **2. Recommendation 4: Transform the Budget Structure**

The recommendation to transform the budget structure was chosen as it is an effective solution to improve transparency, agility, and alignment between the budget and the DoD's strategic objectives. The existing budget structure is more closely aligned with industrial production phases such as Research, Development, Test and Evaluation (RDT&E) and Operations & Maintenance (O&M). This structure is obsolete and is disconnected from the technological landscape of today's warfare. The new budget structure proposes to categorize the resources into major capability areas (PPBE Reform Commission, 2024). Examples of this are ground maneuver units and tactical aviation (PPBE Reform Commission, 2024). This would allow decision-makers to have an all-encompassing view of the comprehensive funding and data for a program or portfolio. It would also improve congressional oversight by allowing Congress to more effectively link funding and a major capability area. This would increase transparency for all funding requests with an improved link between decision-making and resource allocation (PPBE Reform Commission, 2024).

### **3. Recommendation 6: Increase the Availability of Operating Funds**

One of the more inefficient practices and unwritten rules in the DoD is the “use it or lose it” policy, where units must spend their annual budget, or they run the risk of not getting the same budget the following year. This practice pressures decision-makers to spend their funding on low-priority items when the end of the fiscal year is approaching to avoid losing that money the next fiscal year. This situation leads to wasteful spending and stifles innovation, which is why we chose this recommendation. Allowing just five percent of the operating funds to carry over to the next fiscal year would drastically reduce inefficiency from the “use it or lose it” practices while simultaneously increasing financial stability for budgetary actions (PPBE Reform Commission, 2024). It would also provide an opportunity for the DoD to address late-breaking bills, and unanticipated expenses, and avoid ADA violations without the fear of losing money and being constrained by the standard fiscal deadline. Unobligated funds could be spent in a more thoughtful, deliberate process instead of rushed expenditures (PPBE Reform Commission, 2024). Additionally, this recommendation would have the ability to overcome the increasing recurrence of continuing resolutions (CRs) that delay the ability to commit funds in the early part of the fiscal year.

### **4. Recommendation 8: Update Values for Below Threshold Reprogrammings (BTR)**

BTR allows for minor adjustments to be made to appropriated budgets without needing congressional approval. We chose this recommendation because it would be much more efficient for the DoD to have some flexibility with a small portion of each account instead of having to make individual reprogramming requests (PPBE Reform Commission, 2024). Additionally, this recommendation would raise the threshold ceiling to allow the DoD to better utilize emerging technology and other new opportunities (PPBE Reform Commission, 2024). The current thresholds in place are outdated and do not take inflation into account or continual increases to the defense budget. Updating these thresholds would give the DoD more flexibility to reallocate funds to address unexpected short-notice requirements without causing any delays while waiting to get congressional approval. This

change would also help streamline the decision-making process for program managers to allow them to address real-time needs much more effectively.

## **E. CURRENT BUDGET PROCESS**

The DoD uses the PPBE process to systematically allocate resources to efficiently and effectively manage defense budgets (McGarry, 2022). This process ensures that all national defense objectives in the NDAA and NDS are accomplished in a fiscally responsible manner. To do this, the PPBE process encompasses the DoD budgetary life cycle on an unending basis.

### **1. Phase 1**

First, there is the Planning Phase of the PPBE process. This is where the long-term national security objectives, threats, and strategic vision are identified. Documents such as the NDS, the Defense Planning Guidance (DPG), the Future Years Defense Program (FYDP), and the Budget Estimate Submission (BES) provide the guidance and structure for this identification process (McGarry, 2022). The planning phase requires high levels of coordination across the DoD components to determine what military capabilities will be needed to address current and future threats, as well as operational needs, for the next five or more years (PPBE Reform Commission, 2024). Defense priorities such as modernization, readiness, and R&D are discussed at length and decided on. These priorities shape the framework for the next phase of the process.

### **2. Phase 2**

The next step in the PPBE process is the programming phase. All objectives identified in the planning phase are transmitted into more specific actionable plans (McGarry, 2022). The primary goal in this phase is to properly balance resources in the multitude of defense programs. Each branch of the DoD creates and submits a Program Objective Memoranda (POM) that lists the manpower, equipment, and funds that they will require to meet their objectives for the next five years (McGarry, 2022). Each branch needs to meet its future needs while simultaneously ensuring that these needs can be sustained financially (PPBE Reform Commission, 2024). Also, negotiations among the branches can

occur if their needs are not aligned with the funding that is or will be available in the future. Some programs may be a higher priority than others, so this factor also must be considered. This vast amount of coordination is necessary to prepare for the next step.

### **3. Phase 3**

The third part of the PPBE sequence is the budgeting phase. Here, the programs from the programming phase are further refined into minutely detailed BES that become part of the President's Budget (McGarry, 2022). Taylor (2002) stated that:

The Departments of the Air Force, Army, and Navy all develop POMs and BES. Although developed individually, these POMs and BESs are subsets of the DoD Budget. It is therefore essential that these documents meet the objectives identified in the strategic planning documents of each department as well as those in the DoD's. (p. 13)

During this phase, the OMB and Congress will review the budget to ensure that it complies with all necessary fiscal policies and that the budget will meet national priorities (PPBE Reform Commission, 2024). Once everything is completed, Congress approves the final defense budget, paving the way for the last phase.

### **4. Phase 4**

The fourth and final part of the PPBE process is the execution phase. At this point, the authorization and appropriation have been approved and allocated to the agencies and contractors for their various programs (McGarry, 2022). The funds are closely monitored to ensure they are spent efficiently and in line with the goals outlined in the previous phases (PPBE Reform Commission, 2024). Midway through the budget year, a review is conducted to evaluate and determine if any funds need to be reallocated. This phase has an additional function, to provide feedback (PPBE Reform Commission, 2024). Reviews conducted in the middle and at the end of the budget year help to assess how effective the PPBE process is and what should be done for future budget cycles. Since the PPBE process is a cycle, the sequence starts over the next fiscal year.

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### III. CHANGE MANAGEMENT

In this chapter, we discuss change management and the model that we selected for analyzing the four recommendations chosen from the Commission’s key recommendations. First, a discussion of critical pieces that are required in all changes and some of the models currently in use today. The Burke-Litwin model is discussed further with a deep dive into its factors and how they are structured. This chapter ends with our rationale for selecting this change model over others to explore four of the key recommendations.

#### A. DEFINITION/CONCEPT

Each time an organization wants to create change they have a few pieces that are critical to the success of change. Michael Beer (1988) explained the critical pieces in a formula where dissatisfaction, model, and process that outweigh the cost of change would result in the amount of change that takes place (Beer, 1988).



Figure 1. Leading Change Formula. Source: Beer (1988).

The first part of Beer’s formula is dissatisfaction as seen in Figure 1. Dissatisfaction is the driving force that motivates and pushes the organization to change (Beer, 1988). Beer (1988) explains “a survey of the contemporary business scene quickly leads to the conclusion that crisis is the most frequent condition which energizes change” (p. 1). A crisis is not the only driver for dissatisfaction, it also includes management’s disconnect with employees and the importance of their share of the market (Beer, 1988). The dissatisfaction of the employees: how they believe the organization is working, the lack of communication between management and employees, and the understanding of these

issues also contribute to dissatisfaction; lastly, managers set high standards for their employees to meet specifically for monetary gains (Beer, 1988).

Once dissatisfaction has been identified or created, the next part of the formula is the model, according to Beer (1988): “A vision of the future state of the organization, the behaviors and attitudes as well as the structure and systems” (p. 3). Beer (1988) also discussed that the model needs to be multidimensional, which would include many different factors of the organization such as leadership, culture, climate, etc. The model is a key factor as it is the driving force of the end goal for the organization to keep the team motivated to make the change.

The third part of the formula is the process: “A sequence of events, speeches, meetings, educational programs, personnel decisions aimed at helping [the organization], learn new perspectives, skills, attitudes, and behaviors (Beer, 1988, p. 4). Beer (1988) highlights the process as the actions taken by the organization to lead the change and the vision to fix the dissatisfaction identified.

If these three factors of the formula seen in Figure 1 outweigh the cost of implementing them, it will drive the amount of change. Each part is significant and important as they work in tandem where one cannot be missing and change be successful. The one aspect that needs to be focused on for PPBE problems is the model aspect. There is dissatisfaction with the DoD budget process and the next step is to identify the model or vision for how these changes will look. To understand change management in depth, a focus needs to be on the system and how the system of systems interacts within the organization. Each organizational system has an interconnected group of whole parts that interact with each other and affect each other in various ways, some stronger or weaker than others (Beerel, 2009). Understanding the organization’s push and pull is important in change management because when a change is made to one aspect of the system, it will affect the rest of the system.

## **B. CHANGE MANAGEMENT MODELS**

There are numerous types of change management models, one of the first systems-based models is the Nadler-Tushman model. The main point of the Nadler-Tushman model

is that successful organizations have balance and compatibility throughout the organization (Nadler & Tushman, 1980). The idea is that an organization is a system of interconnected parts that work together in harmony and each factor will be affected by one another. They created a model to show the connection between parts of the organization through a congruence model. As seen in Figure 2 the three main parts of the model are inputs, transformation process, and outputs (Nadler & Tushman, 1980). Not only showing the parts of the system, the model should also help identify the relationships within the system and organization and which parts affect the others (Nadler & Tushman, 1980).

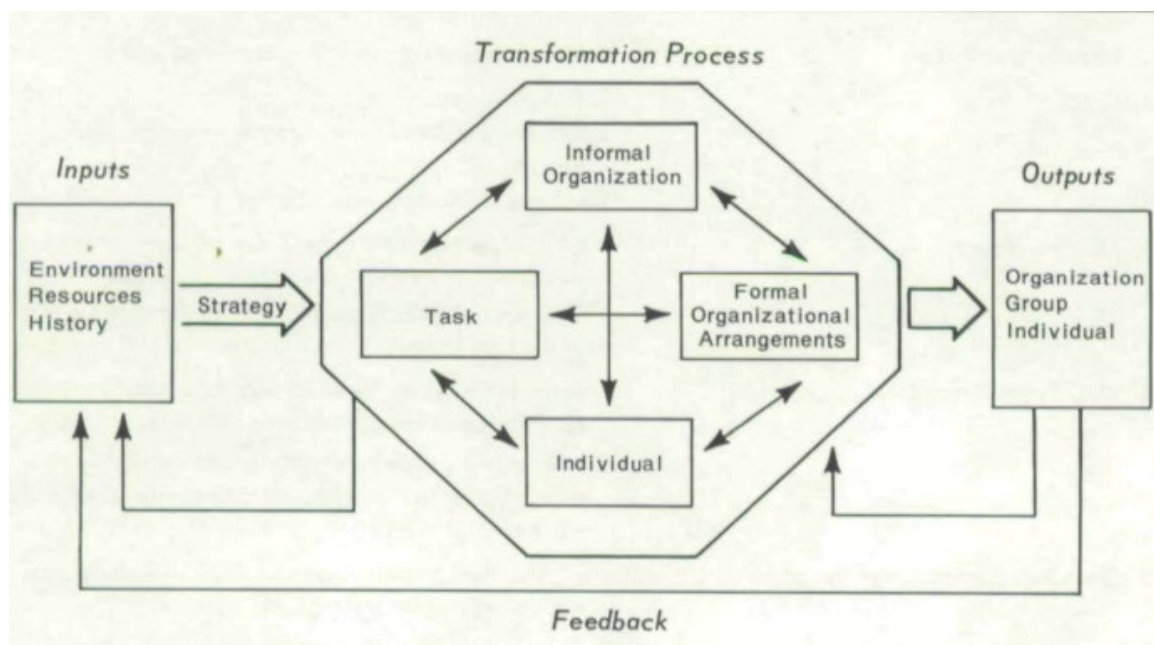


Figure 2. Congruence Model for Organization Analysis. Source: Nadler and Tushman (1980).

The issue with Nadler-Tushman is that their model can show congruence and what factors of the system are affected but does not identify the key area that is central to the system, the depth of congruence, or lack thereof (Burke & Litwin, 1992). The system theory is an important step when discussing organizations and change models but the expansion of diagnosis and cause-and-effect relationships are needed.

Another change management model is the McKinsey 7-S framework. The framework focuses on the structure, strategy, systems, style, staff, skills, and shared values of the organization (Waterman et al., 1980). The framework shows that more than one factor in an organization will be influenced and cannot be forgotten when everything is connected (Waterman et al., 1980). This framework also identifies that there is no beginning or end, meaning that the change can start anywhere showing an interconnected system as seen in the Nadler and Tushman model (Waterman et al., 1980).

The last change management model that can be attributed to the process function in Figure 1 is Kotter's 8 Steps for Leading Change. This model is meant to help identify potential risks or hurdles that may be overlooked during the process of change:

1. Create a sense of urgency;
2. Build your change team with leaders and change agents of various skills and departments;
3. Define your strategic vision;
4. Communicate with everyone involved and get them on board and know their role;
5. Identify roadblocks and address anything causing friction;
6. Create short-term goals to break into achievable steps;
7. Keep up the momentum; and
8. Maintain the changes after the initial project is complete. (Kotter, 1995)

This model focuses on both the process and the people at each step, focusing on feelings, attitudes, and mindset. Kotter believed that behavior is the key component to a successful change, and it starts at the individual level which is overseen most in change management (Kotter, 1995).

The previously mentioned change management models provide a solid foundation for implementing change and leadership through change, but they are missing one aspect. They fail to identify external factors and how they impact the organization. The Nadler & Tushman Congruence model was great at identifying a system and how factors interact within a system of an organization which expanded diagnostic models. The 7-S model does well at identifying key factors within an organization and how they interact with each other through feedback loops and systems. Finally, Kotter's 8-step process model introduces the importance of the individual within the system and organization. What is lacking is a

diagnostic model that shows the limitations of not just the organization, but the problems, and where to start. The next section explains the Burke-Litwin model which has elements of the previously mentioned models but dives deeper into external factors and how systems factors interact in a cause-and-effect manner. The Burke-Litwin model may not be a process model but will be necessary in developing and articulating what process will be needed to make organizational change.

### **C. BURKE-LITWIN MODEL**

The Burke-Litwin Model of Organizational Performance and Change was developed by George H. Litwin in the 1960s and was later refined by W. Warner Burke in the 1980s (Burke & Litwin, 1992). The model is a comprehensive change management framework designed to analyze multi-layered organizational issues and act as a guide to performance and change mediation. Burke and Litwin based their concept on an open-system framework so that the model would “stem from an input-throughput-output, with a feedback loop, format” (Burke & Litwin, 1992, p. 524). It has some similar attributes to other organizational change models but uniquely connects these attributes with a deeper understanding of causal relationships with the external environment and performance factors. For example, the 7S model created by Pascale and Athos (1981), and then continued development by Peters and Waterman (1982), is seen in the Burke-Litwin model. The issue that Burke and Litwin (1992) identified is that the 7S model does not show any links for variables of performance or outside influences.

Most organizational change models show strong links within the organization but only briefly touch on links to outside connections, like external factors. The Burke-Litwin (1992) model ensures that outside variables are considered because organizational success and effectiveness is reliant upon how the internal organization can respond and react to static or dynamic external variables. The goal of the model is to “serve as a guide for both organizational diagnosis and planned managed organization change – one that clearly shows cause-and-effect relationships and can be tested empirically” (Burke & Litwin, 1992, p. 525). The organizational system can have major changes with seemingly small input alterations to certain links as is explained next.

## **D. MODEL STRUCTURE**

The model is divided into two levels (see Figure 3). The blue boxes on the top are transformational, which focus on the culture of the organization, and the orange boxes on the bottom are transactional, which focus on the climate of the organization:

Transformational change occurs as a response to the external environment and directly affects organizational mission and strategy, the organization's leadership, and culture. In turn, the transactional factors are affected—structure, systems, management practices, and climate. These transformational and transactional factors together affect motivation, which, in turn, affects performance. (Burke & Litwin, 1992, p. 523)

Burke and Litwin (1992) further explain the separation of transformational and transactional through culture and climate. Using culture and climate shows what is needed to make the most impact within the system. Climate is controlled within the structure and systems of the organization, whereas culture is the underlying feelings and motivation within the organization's individuals. The authors of the model are trying to show that neither transformational nor transactional change is easy but are interconnected and need to be thought of differently.

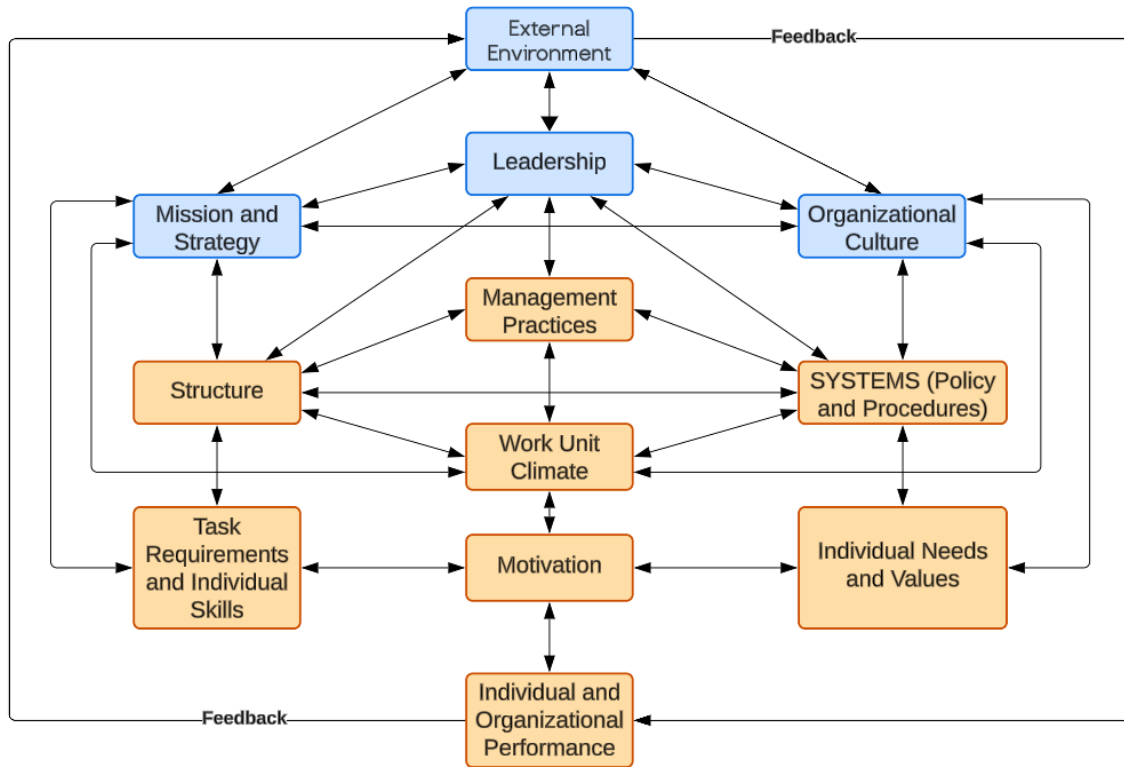


Figure 3. Burke-Litwin Change Management Model. Source: Burke and Litwin (1992).

Within the two sections of the model, there are 12 different factors that affect performance and have the strongest influence on making change within an organization. These factors are “external environment, mission and strategy, leadership, organizational culture, structure, management practices, work unit climate, task and individual skills, motivation, individual needs and values, performance, and individual and organizational performance” (Burke & Litwin, 1992, p. 541). The factors are strongly interconnected and have causal pathways showing how implementing change to one factor can lead to a change in many other factors in an organization. By applying this model to PPBE reform, we can methodically analyze and evaluate the four selected recommendations for organizational variables, performance variables, and external environment, to better identify the aspects of the organization most influential to successful change.

## 1. Transformational Factors

Transformational factors are the fundamental aspects of an organization that can lead to deep, meaningful change. These aspects are “areas in which alteration is likely caused by interaction with environmental forces (both within and without) and will require entirely new behavior sets from organizational members” (Burke & Litwin, 1992, p. 529). Transformational factors can be regarded as the culture of the organization. The organization will benefit from looking at the interaction with the environment because the decision makers need to ensure not to reward or punish the wrong behavior. Any proposed reforms with long-term impacts on an organization will require an in-depth comprehensive analysis of its transformational factors. Transformational factors are important to understand because they need more time to develop and thus should be decided through careful planning and consideration. The transformational factors in the Burke-Litwin Model (1992) include the following:

- **External Environment:** Anything outside of the organization that can influence its performance. Market stability, world finance conditions, regulation changes, advancements in technology, and geopolitical situations (Burke & Litwin, 1992). Having a thorough understanding of these factors will help to synchronize an organization’s operations with external demands.
- **Mission and Strategy:** These factors define an organization’s overall goal and the path or direction it will take to achieve that goal. When talking about strategy, Porter, “links it directly to environment (industry structure), organizational structure, and corporate culture” (Burke & Litwin, 1992, pp. 531–532). Changes to mission or strategy can result in significant organizational transformations across all levels.
- **Leadership:** This includes the behaviors and actions of the executives in charge of an organization. An effective leader is an example for the other workers to follow and is critical for guiding transformative changes, inspiring and motivating employees (Burke & Litwin, 1992). Leadership is not the same as management, which is a separate factor of this model.

- **Organizational Culture:** This refers to the shared values, beliefs, and norms in an organization that influence how its employees work and interact. It is a “collection of overt and covert rules, values, and principles that are enduring and guide organizational behavior” and “provides a meaning system for organizational members” (Burke & Litwin, 1992, p. 532). Culture is highly important because it can help with change, or it can resist change depending on how well it is aligned with the direction of an organization.

## **2. Transactional Factors**

Transactional factors are the surface-level aspects of an organization that encompass more of the day-to-day operations and management practices (Burke & Litwin, 1992). These factors focus more on systems and processes that require smaller, more incremental changes. Also, these factors have a more direct impact on the organization’s efficiency and effectiveness without having to change any core functions of an organization. The transactional changes to the organization may be policy change or a change to a DoD instruction. Within PPBE it could be the POM cycle or a statutory requirement for reporting to congress, which is going to be explored in more depth in the next few chapters. The transactional factors in the Burke-Litwin Model include:

- **Structure:** This refers to the formal assignments of roles, responsibilities, and authority within an organization (Burke & Litwin, 1992). Although structure is considered a transactional factor, changes in structure can greatly impact coordination and communication, improving the execution of strategy and operations.
- **Management Practices:** This factor involves the methods and techniques used to manage the people, processes, and resources of an organization and oversee operations (Burke & Litwin, 1992). Effective management behaviors, like encouragement for example, ensure that day-to-day operations run smoothly and are aligned with long-term strategic goals.
- **Systems:** This factor consists of “standardized policies and mechanisms that facilitate work, primarily manifested in the organization’s reward systems,

management information systems (MIS), and in such control systems as performance appraisal, goal and budget development, and human resource allocation” (Burke & Litwin, 1992, p. 532). Updating and optimizing things like information systems or HR policies can help improve organizational efficiency.

- **Work Unit Climate:** This factor refers to an employee’s perception of the workplace atmosphere and the conditions of individual units (Burke & Litwin, 1992). The feelings, impressions, and expectations each workplace member has towards each other and towards their boss directly affect employee satisfaction, motivation, and performance.
- **Task and Individual Skills:** This factor attempts to match the skills and competencies of an employee to whatever job demands are required (Burke & Litwin, 1992). Ensuring that employees have the skills and knowledge necessary to complete their tasks effectively is vital to an organization’s performance. If someone lacks the skills required to do their job well, performance could suffer even if there is proper leadership involved.
- **Motivation:** This refers to “aroused behavior tendencies to move toward goals, take needed action, and persist until satisfaction is attained. This is the net resultant motivation: that is, the resultant net energy generated by the sum of achievement, power, affection, discovery, and other important human motives” (Burke & Litwin, 1992, p. 533). Understanding motivational factors and utilizing effective reward systems can help bolster employee performance and meet the organization’s goals.
- **Individual Needs and Values:** This factor focuses on the personal needs, desires, values, and self-worth of each employee (Burke & Litwin, 1992). Everyone in an organization has different needs; identifying and trying to meet those needs and values can greatly improve an employee’s motivation. Synchronizing organizational practices with these facets can improve personal job satisfaction and retention.

- **Individual and Organizational Performance:** This is the outcome based on the level of effort from the individuals of an organization and the organization itself (Burke & Litwin, 1992). It is important to monitor and evaluate levels of effort to identify areas that can be improved while ensuring that the organization's goals are met.

### **3. Causal Pathways and Feedback Loops**

One major component that sets this model apart from other organizational change models is how it utilizes causal pathways and feedback loops as illustrated by the arrows connecting the boxes in the diagram.

The Burke-Litwin model provides a convenient and valid shorthand method of identifying and explaining multiple key organizational phenomena that affect the organization's performance and overall effectiveness. (Martins & Coetzee, 2009, p. 154)

Each factor in the model can influence the other factors, meaning that a change to one of these factors can impact other aspects throughout an organization. In the model, a change to the leadership factor can result in a shift in the culture of the organization, which could affect other factors such as motivation, climate, and performance (Burke & Litwin, 1992). These interconnected factors highlight the level of complexity there is when implementing organizational changes. By viewing the factor relationships as causal pathways, the model provides an effective framework for identifying organizational problems and designing ways to address these problems. Table 1 illustrates

a summary of some empirical research conducted on the links between the various variables of the model and their key findings. The findings show the cause-and-effect links among the variables. The findings are presented by variables in the Burke-Litwin model starting with transformational followed by the transactional variables. (Gunchi, 2013, p. 35)

Table 1. Empirical Research on Elements of the Burke-Litwin Model  
Source: Gunchi (2013).

Variables in B-L Model	Linked to	Empirical Studies	Findings
External environment	Culture	Gordon, 1985	Organization affected by the external environment develop cultural patterns to meet environmental demands.
External environment	Strategy	Keats & Hitt, 1988	Higher levels of environmental instability were associated with lower levels of divisionalisation and diversification
Strategy	Performance	Prescott, 1986	Business strategy significantly influences performance. External environment moderates the effect of strategy on performance.
Mission and strategy	Organizational performance	Hopkins & Hopkins, 1997	There is a reciprocal relationship between strategic planning intensity and organisational performance
Strategy	Structure	Keats & Hitt, 1988	Strategy follows structure
Leadership	Culture	Block, 2003	Leadership style of immediate supervisors ( than any other level of leadership) influence employees' perception of organisational culture
Leadership	Culture	Ogbonna & Harris, 2000	The impact of leadership on firm's performance is mediated by organisational culture
Leadership	Culture	Hennessey, 1998	Leadership creates an environment in which fundamental organisational change is more or less likely to occur. A Package of leaders' competencies is correlated with the degree cultural change
Leadership	Performance	Smith, Carson & Alexander, 1984	Leadership impacts: membership growth, property development and membership participation. Significant finding was that the link between leadership and performance does not only apply to corporate entities
Leadership	Culture	Fleishman, 1953	Leadership attitude and behaviour do not operate in isolation they are affected by the social environment of the organization in which leaders work
Leadership	Culture	Schein, 2010	Leadership and organisational culture are fundamentally intertwined. Leaders are main architect of culture and once culture are formed they influence what kind of leadership I possible.. If elements of culture become dysfunctional it is the leaders' responsibility to do something to speed up culture change
Culture	Strategies and structure	Kerr & Slocum, 1987	Significant strategic and structural realignment cannot occur if it is not supported by the organisation's values and beliefs (culture)

Variables in B-L Model	Linked to	Empirical Studies	Findings
Culture	Performance	Denison, 1990	Culture impact organisational performance. Four concepts that describe the impact that organizational culture can have on effective performance are; Involvement of organisational members, adaptability to respond to new circumstances while still retaining character, a consistent or strong, clearly defined culture and a clear mission providing direction and meaning
Structure	Climate	Joyce & Slocum, 1984	Climate represents a learned environment therefore climate differs among work units and that climate is associated with structure
Structure	Climate	Schneider & Snyder, 1975	Organisational structure affects perception of organisation climate than individual feelings of job satisfaction. Employees in the same job categories (those experiencing the same organisational structure) agree in their perceptions of the climate of the organisation.
Management practices	Climate	Schneider, 1980	Employees' perception of climate is positively correlated with customer's perception of climate. Management practices which emphasize a strong service orientation create a positive overall climate for employees as well as customers
Climate	Employee outcome and service quality	Yoon, Beatty & Suh, 2001	Work lace climate contribute to the job satisfaction and work effort and indirectly impacts on customer's perception of employees service quality
Climate	Motivation-performance	Hunt & Ivergard, 2007	Workplace climate provide feedback mechanism that perceived as open, fair and that contribute to individual appraisal and office performance
Climate	Motivation	Rosenberg & Rosenstein, 1980	Worker participation (Work unit climate) influences performance. Work unit climate is more influential to performance than monetary rewards
Skills/job match	Performance	Wade & Parent, 2001	Deficiency in both technical and organisational skills leads to lower job performance
Job Match	Performance	Hunter & Schmidt, 1982	The manner in which individuals are fitted to their respective jobs has a significant impact on organisational performance
Motivation	Performance	Huang, Horng & Chen, 1999	Process and motivation are related to performance. If a corporation has a strong motivation to implement a programme beyond the mere purpose of the programme itself the corporation will be able to reap

Variables in B-L Model	Linked to	Empirical Studies	Findings
			performance improvement in shorter periods
Individual needs & Values	Motivation – Performance	Oldham & Hackman, 1981	Job modification framework better explains the relationship between organisational structure and employees’ reaction (motivation and satisfaction) than does attraction selection framework. Individuals have a need for growth and development on the job and should be motivated by job enrichment interventions
Motivation	Performance	Jordan, 1986	Reward systems of an organisation affect employee motivation. Monetary rewards which are contingent upon performance decreases employees’ intrinsic motivation

Table 1 shows how the 12 variables of the model are connected and influence each other. The connections show how the impact of changing one variable in an organization is not isolated from the other variables. Table 1 also lists some research and findings that further reinforce the connections between the variables.

## E. APPLICATIONS

There are several instances where the model has been successfully applied in an organizational setting, demonstrating how it can help to identify and implement change. One example of this was an international hotel company incorporating the model to conduct an exploratory study to identify transformational and transactional factors, in a cross-cultural setting, that affected the effectiveness of the company. The study used the Burke-Litwin model as an assessment tool and a diagnostic framework to identify recommendations to improve the company’s mission, management, and strategy. Another example was the model used by leaders in the 1st Battalion, 77th Armored Regiment to better understand how the variables of the model such as leadership, mission, strategy, and individual needs, are all intertwined and affect each other. Being able to understand this concept led to changes that altered the unit’s culture and overall behavior. A third example is the Malawian government using the Burke-Litwin model to analyze their Performance Management System (PMS) to identify areas that needed improvement which could lead

to improving the overall (Gunchi, 2013). These examples show how the model can improve the effectiveness, strategy, or cultural shifts of an organization by addressing their transformational and transactional aspects.

## **F. RATIONALE FOR SELECTED CHANGE MODEL**

There are dozens of organizational change models in use today, some of which are more commonly used than others. The Burke-Litwin Causal Model was chosen as the analysis framework for this thesis based on a few distinct features that the model has.

One of the greatest advantages of this model comes from its ability to account for both transactional and transformational factors. The model provides an all-encompassing, multi-dimensional design that can be used to identify organizational change and performance. With this model, transformational change is associated with leadership and culture, and transactional change is more associated with management and climate. (Burke & Litwin, 1992) This is quite relevant for the complex and multi-faceted nature of the PPBE process. This allows us to more effectively diagnose the systemic forces that drive organizational change, like strategy or leadership, and the operational components that may require adjustments, like the climate of the organization or the management practices. Using this model helps to understand how internal and external factors work together and can shape organizational performance and give us a more holistic type of analysis that ties into the objective of this thesis.

The model is ideal for examining how external factors can influence organizational performance (Burke & Litwin, 1992). External factors such as changes to regulations, fluctuations in market dynamics, or technological advancements can all affect the performance of an organization. One of the factors that this model specifically incorporates is the external environment. Based on the model, this factor is considered to be one of the primary drivers of change since it is linked to other factors such as mission, strategy, and leadership (Burke & Litwin, 1992). The emphasis on the external environment is important for this thesis because the DoD deals with a rapidly changing environment and faces pressure from external forces. Many of the external forces are stakeholders that operate in a quickly changing environment, where external pressure can often be the catalyst for

change. In addition to external factors, the model also identifies internal factors for an organization, such as organizational culture and motivation (Burke & Litwin, 1992). By being able to account for both internal and external factors, the model provides a complex yet necessary way to understand organizational performance and change.

Unlike some of the simpler change management models with specific steps or stages, this model goes beyond a simple linear process for change. Instead, it provides us with a causal map showing how different factors interact within an organization (Burke & Litwin, 1992). This design allows us to establish a more in-depth diagnosis of the internal and external factors that influence performance. This also makes the model much more suitable for a complex organization, like a MAJCOM within the DoD, where there are a multitude of layers where both influence and feedback need to be taken into consideration. Leadership will be a chosen factor in a few of the recommendations as it ties heavily into culture and performance. Leadership is one of the linchpin factors to the success of change management within an organization (Beerel, 2009). An effective leader can be looked upon during the change and can be relied upon by the subordinates to carry out the best interests of the group (Beerel, 2009). If change is to happen in the PPBE or DoD budgeting process, then leadership will play an active role in driving the change while keeping the organization on track. The leader may be a 2- or 3-star general or a member of the Senior Executive Service but there will be many leaders at all levels driving the change brought forth by the Commission's reform.

An additional reason as to why this model was chosen was because of the focus on the interconnectedness of the model variables. Many other models look at organizational change as a linear or step process. This model can show that a change to one of the factors can have a cascade-type effect on multiple other factors (Burke & Litwin, 1992). For an organization, this means that a change to one facet, such as management practices, can potentially result in changes to some or even all of the other facets of the organization. This level of connectivity aligns very well with the complex environment of the DoD and the PPBE process. The model's ability to show causal relationships allows us to better identify and understand the effects of implementing the reform recommendations.

One final reason as to why we chose this model has to do with how it categorizes the factors of the model. Not only does the model differentiate between internal and external factors, but it also differentiates the factors as either transactional or transformational. This distinction can help us to more effectively understand the incremental and the radical changes that occur in an organization. The transformational factors are the ones that cause deep and systemic change (Burke & Litwin, 1992). On the other hand, transactional factors can support and help implement changes without altering the core fundamentals of an organization (Burke & Litwin, 1992). By using the model, we can analyze how the DoD responds to large strategic shifts and smaller, more operational type changes simultaneously. Due to the diverse factors of the DoD and the PPBE process, this model's applicability and adaptability to different types and levels change reinforces why it is the appropriate tool for this research.

## **G. CHAPTER SUMMARY**

The Burke-Litwin model provides a diagnostic framework to identify factors that influence organizational change and to understand how the factors are connected to each other. Having transformational and transactional factors gives us a two-pronged approach to incorporate leadership level considerations and daily operation considerations. The model's adaptability and applicability make it an impressive tool to use when dealing with organizational changes:

Finding exceptions to the causal implications of the model does not detract necessarily from its usefulness. As a guide for what to look for and as a predictor for what and how to manage large-scale organizational change, we have found the model invaluable. Like any other model, however, we must not allow it to determine exclusively what we diagnose or how we handle organization change. (Burke-Litwin, 1992, p. 541)

This model can be an effective guide to managing the PPBE reform recommendations discussed in the next chapter.

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## IV. ANALYSIS

The analysis chapter examines each of the four recommendations through the Burke-Litwin Model. Each examination of the recommendations follows the same pattern. First, starting with a summary by the Commission, and the external factors that are addressed by the implementation to include stakeholders. Then an analysis of specific factors affected by the change diagnosed through the Burke-Litwin model. Each recommendation has its own adapted model from Figure 3, with specific highlighted colors that represent how the organization is impacted. In the adapted models, the dark blue boxes are direct impacts, the middle blue boxes are the secondary affected factors, and the light blue boxes are tertiary affected factors. The model also includes colored links that were not in Figure 3. The green arrows are links that we believe are positive or reinforcing, which means the factor continues to influence the other factor or increases that behavior of change. The red arrows are links that we believe are negative or balancing, which means the factor influencing the other factor limits or slows down the behavior of change. Lastly, the chapter explains what factors are most likely to be affected by the change and how they influence other factors in the organization. The order of recommendations starts with ones where transactional factors play a key role, then moves to the ones where larger organizational change is needed for implementation.

We apply the model to changes at the MAJCOM level rather than the entire DoD or an individual military department. The steps taken at the DoD or military department level are part of the external environment factor. Major Commands are most affected by the change and where much of the change will occur. At the headquarters level, policy is prescribed, but it is enacted at the MAJCOM level and below. Our focus is on the organization implementing the change and the subsequent reactions.

### A. **RECOMMENDATION 6: INCREASE AVAILABILITY OF OPERATING FUNDS**

If adopted, the Commission's recommendation #6 is a key recommendation in the section to "foster innovation and adaptability" (PPBE Reform Commission, 2024, p. 7).

The recommendation is stated as “the Commission recommends allowing a small portion (five percent) of operating funds to be carried over for obligation in a second year of availability, a type of flexibility that is already available to some non-DoD federal agencies” (PPBE Reform Commission, 2024, p. 7). This recommendation allows flexibility to the organizations by allowing them to operate knowing they will have funding available to use even if a budget is not passed for the following year. This recommendation specifically targets O&M and MILPERS funding and end-of-year spending where the DoD spends money quickly because they do not want to lose the potential of getting the same budget in the following year (PPBE Reform Commission, 2024). The Commission wanted to address oversight, where the funding carried over will have mandatory monthly reporting for Congress to maintain awareness and continue their authority of the funds (PPBE Reform Commission, 2024).

For this recommendation to be implemented, there are a few initial steps to implement the changes that are part of the external environment. In its report, the commission provided statutory language for Congress to include in subsequent appropriations (PPBE Commission Reform, 2024). The first step is for Congress to add the drafted language to the annual appropriation. The next step is for the OUSD (Comptroller) to change the DoD Financial Management Regulation to fulfill the exact changes that Congress specifies and explicitly list the O&M and MILPERS funding carryover. Next, the IT systems will need to be reprogrammed to allow the funds to be carried over at the end of the year. These changes at the DoD and strategic level are part of the external environment because they are outside the operational organization and influence its performance. Changing IT systems for all DoD and DoD Financial Management Regulations influences how MAJCOMs conduct their missions.

The next part of the chapter explores the changes from inside the MAJCOM level because strategic and external environment changes have been implemented. This recommendation targets two different sets of factors: ones that react based on changes to the rules of the organization and ones that involve people.

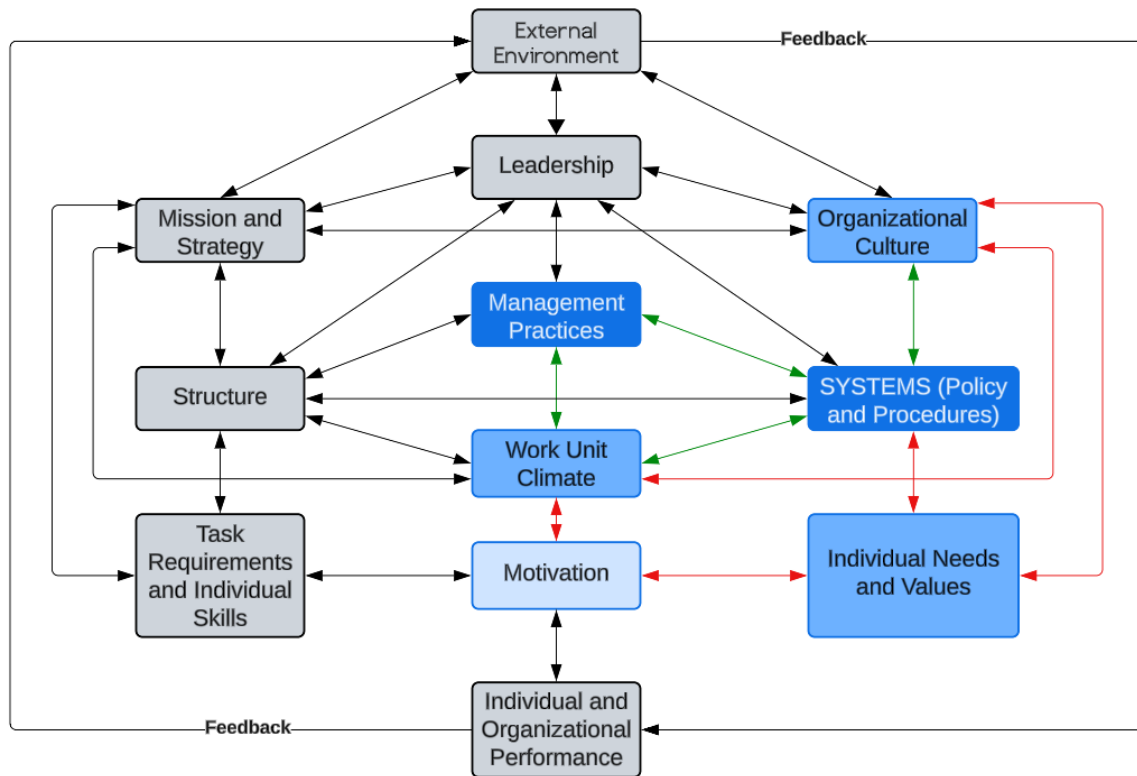


Figure 4. Burke-Litwin Change Management Model for Recommendation #6. Source: Burke and Litwin (1992).

This recommendation changes the rules of the MAJCOM which impacts two factors, systems and management practices. By allowing up to five percent of operating funds to roll over to the following fiscal year, the first change to take place at an operational level is the systems. This recommendation changes a longstanding policy which will be reflected through information systems and internal controls, like reporting and oversight. Another control system is in goal and budget development where it increases the amount of funds that can carry over to the following year to be obligated as a safety mechanism for urgent requirements, moderate use or lose behavior, and to reduce potential ADA violations. If the systems are altered, there is a reinforcing link that also affects management practices, which is the second factor that is impacted. Burke and Litwin explain management practices as, “to use the human and material resources at their disposal to carry out strategy ... a particular cluster of specific behavior” (Burke & Litwin, 1992, p. 532). Since the systems have been changed, the management practices to ensure that

change is made and followed through are also influenced. The addition of funds that can be executed in the following year will require the program managers, comptrollers, unit commanders, and acquisition professionals to create new ways to manage these resources and behaviors.

Now that we have considered the factors affected by the change in rules, we can address the factors involving the people. The changes to the systems have a balancing relationship with the individual needs and values. As the systems change, so do the needs of the organization but may be hindered by the old way of doing things. Adding more flexibility to the funds might seem to give more power to the individual, but this goes against the decades of practice of spending all remaining funds by the end of the fiscal year (use-or-lose). The members' needs and values should be targeted to ensure they match the systems to be effective after the change is implemented. The other transactional factor that involves people, through secondary effects from management practices and systems, is the work unit climate. Climate refers to the feelings of the individuals within the unit and organization (Burke & Litwin, 1992). As the systems and management practices are changed, there is a reinforcing link to climate because the individual's perceptions, feelings of effectiveness, and how they work with leadership are increased with the added security of the availability of funds.

The last factor from secondary effects that involve people is the transformational factor of culture. Organizational culture is reinforced by the systems of new policies and procedures. The authorities that grant the organization more liberty with how they spend is a shift from current norms and operating principles. The increase in the availability of operating funds may bolster how the employees can carry out their mission and goals. On the other hand, the shift from a use-or-lose mentality is a large change that might cause discomfort and resistance which may impede implementation. The individual needs and values of the organization will balance the culture through a negative feedback loop. Culture is restricted by individual needs because the past desires and values of spending at all costs are changed, but the historical mentality may restrict the ability of the culture to shift. Moving away from use-or-lose is the largest hurdle because the work has been conducted that way for a long time, and the culture will resist change. Similarly, the work

unit climate may balance the culture because the feelings and expectations of the organization's performance will take time to have long-lasting effects with the added freedom and flexibility the recommendation allows. People may resist the change because it is unfamiliar, and they are stuck in their old ways, resulting in a lack of written and unwritten rules.

The transactional and transformational factors that involve the organization's people will have an additional tertiary effect on motivation. There is a negative feedback loop from both individual needs and values and the work unit climate. Similar to the resistance to change observed in culture, the link with individual needs is negative. When the needs and desires are to keep the status quo and continue the mentality of use-or-lose, the organization's motivation will diminish. Similarly, the work unit climate and employees' feelings toward each other are hindered by believing this change is not worth the extra work and instead continuing with current processes. If this change is not managed properly the motivation will continue to decline without a reinforcing or positive link within the organization.

Recommendation #6 is an example of an incremental change that Burke and Litwin say affects the middle transactional factors of structure, management practices, and systems (Burke & Litwin, 1992). However, once the rules of the organization have changed, other factors in the organization are still affected because of the nature of the interconnected system. The next recommendation has a similar pattern; the key factors are transactional, with overflow affecting other factors involving people, but the change is a motivator, not met with resistance.

## **B. RECOMMENDATION 8: UPDATE VALUES FOR BELOW THRESHOLD REPROGRAMMING**

Recommendation #8 is another key recommendation that the Commission created under "Changes that foster innovation and adaptability" (PPBE Reform Commission, 2024, p. 7). Raising the thresholds will "keep pace with historical budget increases which will increase flexibility ... and streamline decision-making processes" (PPBE Reform Commission, 2024, p. 8). Currently, the reprogramming process is tedious, time-

consuming, requires prior approval, and there is uncertainty about whether approvals will be granted.

The Commission recommends a quick fix to aid the flexibility of the DoD while still maintaining Congressional reviews and oversight. The fix is to increase the BTR thresholds to be in line with historical price growth over the past 20 years (PPBE Reform Commission, 2024). The new BTR thresholds would be “\$25 million for RDT&E, \$40 million for Procurement, \$30 million for O&M, and \$15 million for MILPERS” (PPBE Reform Commission, 2024, p. 79). These increases will add adaptability for the DoD without needing a major overhaul of the reprogramming policies, and Congress will retain oversight. This increase at the DoD level is an external environmental factor for the MAJCOMs as their capabilities increase outside their organization but still have a major impact on their performance. This step would need support from Congress to include this language in the annual appropriation. Once the language is established, the OUSD (Comptroller) would change the DoD Financial Management Regulation. Then the IT systems will need to be reprogrammed to allow the funds to reflect the updated values. The modifications to IT systems and regulations are external to the MAJCOM but will impact how the organization conducts work and the results of their performance. These changes seem to be similar to recommendation #6 at the surface, but where they differ is in the motivation and cultural influences of the organization.

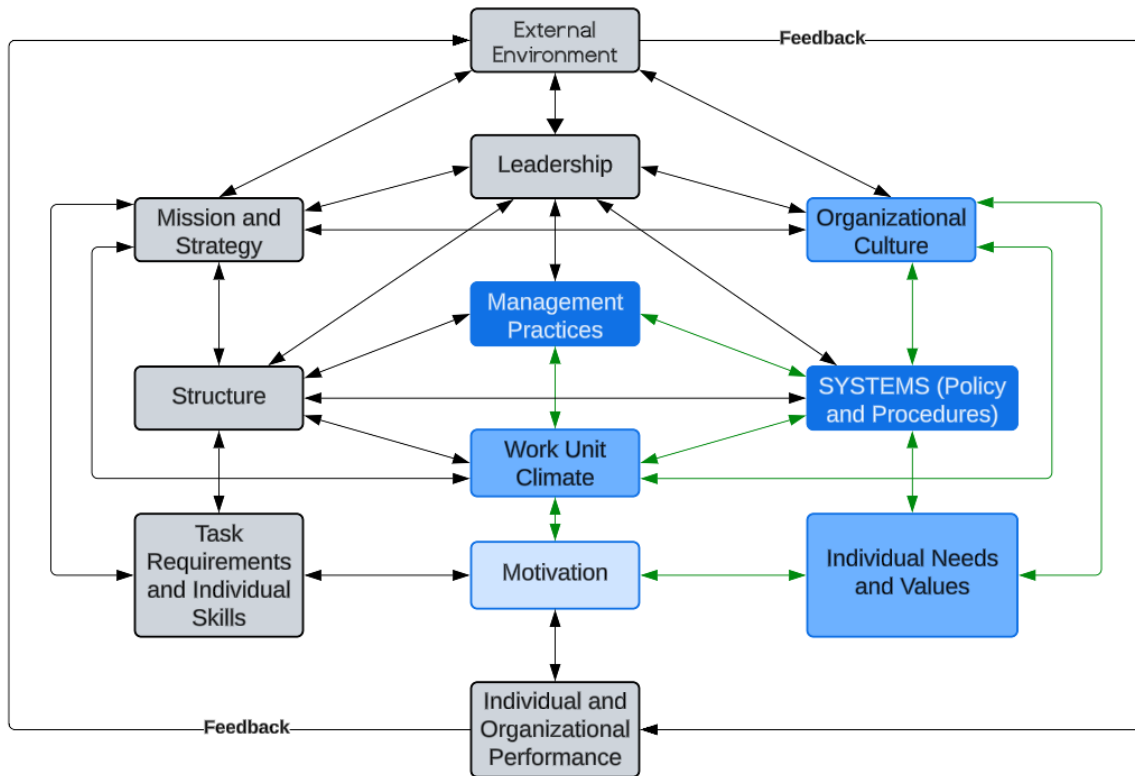


Figure 5. Burke-Litwin Change Management Model for Recommendation #8. Source: Burke and Litwin (1992).

After the policy has been updated at a strategic level, the transactional factors will be influenced first at the operational level. The first-level factors within the organization that are impacted are the systems, and management practices. The systems are affected by multiple changes of regulations and authorizations because the internal policies and procedures will need to be altered. A new level of operating policies and control systems is necessary to execute the mission with the reprogramming threshold increase. The other factor affected by changes in the rules of the organization is management practices. Management practices are how managers utilize what they have to meet the needs of the organization. The resources are increased at the operational level when the thresholds are raised, which means the managers have more flexibility to use the added resources. Management practices have a reinforcing relationship with systems in this recommendation because the increase of resources adds more freedom to the organization through the mechanisms of the systems.

Now that we have considered the factors affected by the change in rules, we can address the factors involving the people which are work unit climate, individual needs and values, and organizational culture. The next level of impact, as seen by the middle blue color, is individual needs and values because they respond to the new set of rules, policies, and procedures of the change. It has a reinforcing relationship with systems because the added flexibility gives them more liberty to respond to emerging needs. The next factor in the organization that sees a secondary impact is the work unit climate. The climate is the “expectations and feelings of the employees” (Martins & Coetzee, 2009, p. 146). The added security that comes with increasing the BTR Thresholds means the management practices are also more clearly defined. The reinforcing nature of management practices gives the employees a sense of understanding roles and responsibilities, providing a positive relationship to the climate. A similar reinforcing relationship happens between climate and systems. The added flexibility and authority provide higher expectations of the members which shows trust within the organization.

The transformational factor that has a secondary-level impact but involves the people of the organization is organizational culture, which is how things are run. The reinforcing relationship with systems is shown because the culture, the written and unwritten rules, is expanded with the added flexibility of the reduced policies to reprogram funds. Unlike recommendation #6, culture has a reinforcing relationship with individual needs and values because the individuals want the added flexibility that comes with increasing the BTR thresholds. The individuals see the upside in doing this additional work because it is now worth asking for the reprogramming. With the increase of BTR thresholds, the individual needs will guide the organization’s values and principles in accomplishing the mission. In addition, the climate has a reinforcing relationship with culture because the added flexibility gives the employees expectations of increased collaboration and success that will add to the written and unwritten rules within the culture.

The third-order effect on the organization that involves people is motivation. Motivation is affected by the climate, and individual needs and values. The organization is motivated and reinforced by the expectations and feelings of the employees as seen in the climate. After changes to reprogramming, clear and definite roles and responsibilities will

increase motivation, furthering a sense of accomplishment when goals are reached. Individual needs and values also positively influence motivation with an increase in the needs and desires of the individuals. The increase in work capacity by raising the BTR thresholds is a motivator for the individuals that ties to their personal needs, while also leading the organization to positive results and performance to meet the organization's goals.

### **C. RECOMMENDATION 1: REPLACE THE PPBE PROCESS WITH DEFENSE RESOURCING SYSTEM**

The first recommendation in the reform report is to replace the PPBE process with the DRS. The Commission identified inefficiencies with the current PPBE process such as its inability to effectively align the budget with defense strategies and failure to rapidly adapt to evolving threats. The DRS process has three phases: strategy, resource allocation, and execution. The strategy phase focuses on analytics like threat modeling and wargaming to establish the Defense Resourcing Guidance (DRG). The resource allocation phase uses a Resource Allocation Submission (RAS), rather than the POM and the BES, to make a more integrated and strategic budget process. Finally, the execution phase focuses on allocating resources and has mechanisms in place for iterative feedback, performance evaluation, and course corrections. “The DRS fundamentally strengthens the connection between strategy and resource allocation while creating a more flexible and agile execution process” (PPBE Reform Commission, 2024, p. 47).

Implementing the DRS will require stakeholder collaboration using a structured, phased approach. Once this new process is adopted, Congress will want to monitor progress and make sure that the framework is aligned with national priorities. The OUSD(Comptroller) and the Office of Cost Assessment and Program Evaluation (CAPE) will need to develop a timeline with important milestones to implement the DRS and make it fully operational. Service-level budget offices will need to learn about and adapt to the new RAS process to better integrate the DRS into their resource allocation process. This consolidation of OSD programming and budgeting IT systems is an external environment change at the strategic level but gives more efficiencies to the MAJCOM level completion of its work. Service components and other DoD agencies will need to test the DRS

framework by developing and submitting an RAS instead of the POM and BES. The last step is to have the stakeholders assess the effectiveness of the DRS. The result is the development of a more agile, strategic, and transparent resource management system.

At the external environment level, implementing the DRS will transform how the DoD will allocate and justify its budget. The planning process at the strategic level will be much more dynamic by the availability of continuous data analysis and real-time scenario planning which take place in the guidance portion of the DRS. “This early, senior leadership-driven process supported by continuous analysis will enable wider-ranging and more rigorous strategic-level decision-making” (PPBE Reform Commission, 2024, p. 48). Senior leaders will have immediate access to new information to allow for swift adjustments to funding priorities to address emerging threats or geopolitical shifts. This will lead to a reduction of overlap and duplication of work, another impact on the external environment for the MAJCOMs. Also, there will be improved collaboration with Congress at the strategic level. The DRS requires frequent communication, transparent channels in which to communicate, and detailed budget justifications that link to the NDS. Justification reports will provide a data-supported rationale for funding requests, support Congressional oversight, and foster accountability (Commission on PPBE Reform, 2024).

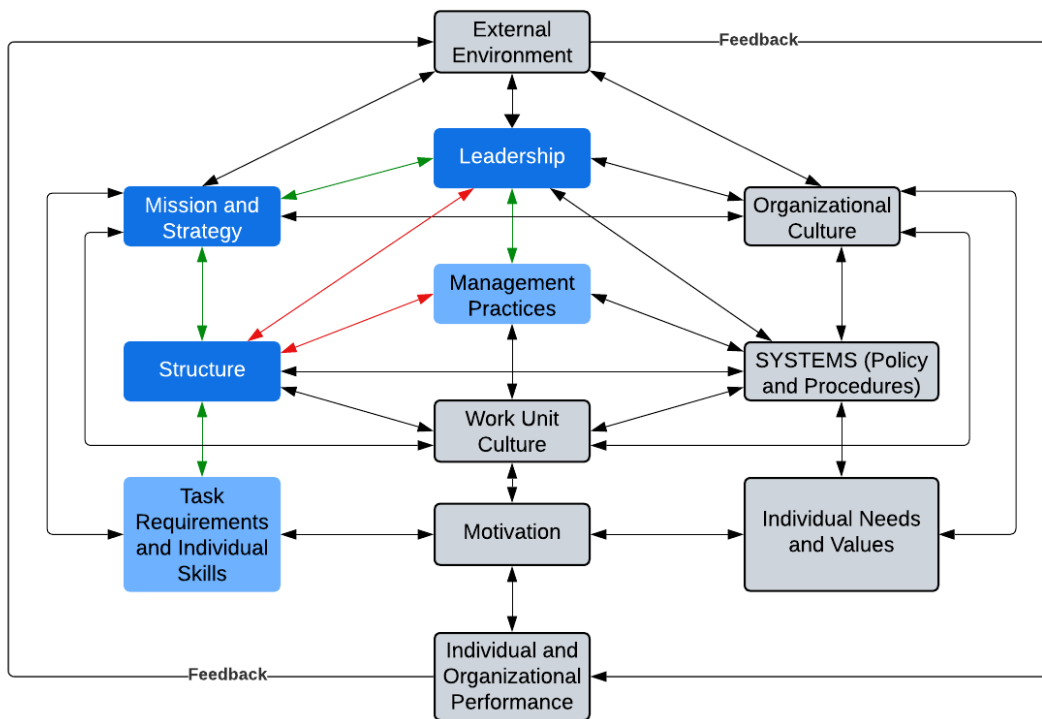


Figure 6. Burke-Litwin Change Management Model for Recommendation #1. Source: Burke and Litwin (1992).

After the DRS has been implemented at the strategic level, there will be transformational factors impacted at the operational level. The primary factors impacted are leadership, mission and strategy. The DRS is more decentralized than PPBE, which will give leadership at the MAJCOM level more authority and influence to execute this new budget process. This shift will empower commanders to swiftly make decisions and will require them to develop a forward-looking approach to mission and strategy by implementing new management practices. However, this will negatively impact the structure as this recommendation is changing the entire timeline of the budget process and will require units to start working earlier than they already are on budget requests. Leaders will also need to collaborate for a more proactive decision-making environment. “The Components will likely start their RAS well in advance of the DRG” (PPBE Reform Commission, 2024, p. 48). Finally, with increased budget authority comes a higher level

of accountability. MAJCOM leaders must integrate robust performance management systems that link financial decisions directly to mission outcomes.

The next transformational factor impacted is mission and strategy. Implementing the DRS will reshape the mission and strategy at the MAJCOM level by “enabling strategy- and resource-informed decision-making across capabilities and missions” (PPBE Reform Commission, 2024, p. 22). Leadership at the MAJCOM level will develop new strategies for resourcing their mission in this revised budget process. Receiving earlier strategic guidance from OSD will require leadership to anticipate future directives instead of reacting to disseminated guidance by switching from a compliance-driven process to a strategy-driven one while staying aligned with the overall defense strategy. Also, merging resource allocation with strategic planning will promote collaboration among financial managers, program officers, and operational planners. This will ensure that budgets adhere to mission priorities, reduce duplicated efforts, and synchronize MAJCOM goals.

The first transactional factor that will have a primary impact is structure. Transitioning from the POM and BES to RAS changes how MAJCOMs will compile and submit their budget requests. Since the DRS decentralizes resource management, this will require reorganizing budget and financial management units in MAJCOMs. Financial offices will need to consolidate program portfolios to reduce duplicate effort and enable faster decision-making. There is a positive link between mission and strategy with structure because this improvement supports a streamlined process that aligns resources with strategic imperatives.

The next impact level, identified with the middle blue color, consists of task requirements and individual skills, and management practices. At the MAJCOM level, there will be changes regarding personnel and what their new roles and responsibilities will be. There is added responsibility which is shown by a reinforcing link between individual skills and structure. With the DRS emphasizing cross-functional resource management, MAJCOM personnel will need to develop collaboration and negotiation skills. There will also be changes to what competencies will be required. The DRS will require specialized expertise for new and emerging technologies and to manage the new resource allocation

processes. Also, the DRS will require advanced analytical skills such as financial modeling, predictive analysis, and operational forecasting.

There is also one transformational factor with a secondary level of impact which is management practices. Implementing the DRS will bring significant changes to the management practices at the MAJCOM level. This includes how resources are managed and how decisions will be carried out at operational, financial, and acquisition units. The DRS will require management practices to shift away from the reactive, compliance-based methods of PPBE to more proactive, data-driven decision-making. This is seen in the positive link between management practices and leadership. There will also be a balancing link with structure as financial and performance monitoring will be conducted continuously for effective budget oversight. Additionally, MAJCOMs will need accountability frameworks that tie financial decisions to mission outcomes by having standardized budgeting protocols and best practices across all MAJCOM units.

#### **D. RECOMMENDATION 4: TRANSFORM THE BUDGET STRUCTURE**

Recommendation #4 from the Commission is to transform the DoD budget structure to have it better aligned with defense priorities. The DoD builds is POM based on MCAAs, but the Congress appropriates funds in categories like RDT&E, procurement, and O&M. This outdated structure hinders our military capabilities, transparency, strategic alignment, and agility. Reorganizing the budget structure around Major Capability Activity Areas (MCAAs) like ground maneuver units, tactical aviation, or cyber operators will help streamline decision-making processes and improve transparency. It will also allow the DoD and Congress to have a more holistic view of funding across programs and services: “The Commission’s proposal is designed to sustain or even enhance congressional oversight and visibility into strategic alignment, tradeoffs, and decisions” (PPBE Reform Commission, 2024, p. 55). The result of these changes is to provide more effective resource allocation while also increasing the budget’s ability to rapidly respond to mission-critical needs.

Implementing this recommendation will require collaboration among key stakeholders, specifically the DoD and Congress which impacts the external environment

for the MAJCOMs. The first step will be to determine how the MCAAs will be defined or categorized and how funding will be consolidated. “Implementation begins with Services and DoD Components identifying their MCAAs, coordinating with OSD leadership, receiving congressional concurrence on MCAAs, and reviewing existing BLIs to align with those new areas” (PPBE Reform Commission, 2024, p. 57). Congress will need to approve the structural changes and make sure the new framework meets legal oversight requirements. The OUSD (Comptroller) will help to redesign the budget structure and oversee its integration across the DoD. Service-level budget offices will need to implement changes to their processes at the operational level so that they align with the new framework. Also, IT specialists will need to update financial management systems to handle the new MCAA-based structure:

Changes to accounting codes and business systems that will require coordination with the Department of Treasury and OMB. Updating business systems to support the new structure may accelerate the mandate to retire, modernize, standardize, and increase interoperability between business systems, but is also culturally challenging and resource intensive. (PPBE Reform Commission, 2024, p. 61)

At the strategic level, transforming the budget structure will impact the external environment factor of the MAJCOMs by improving visibility and accountability for resource allocations. This will allow senior leaders to match budget decisions with capabilities and mission requirements. The new structure will be categorized by MCAAs instead of traditional groups such as RDT&E, Procurement, and O&M. This will make resource allocations mission-centric without being confined by outdated categories. Also, the transformation will reduce friction in the budget process by simplifying Congressional oversight, resulting in clearer budget justifications and reducing administrative taskings. This will lead to stronger collaboration between the DoD and Congress which will streamline funding approvals.

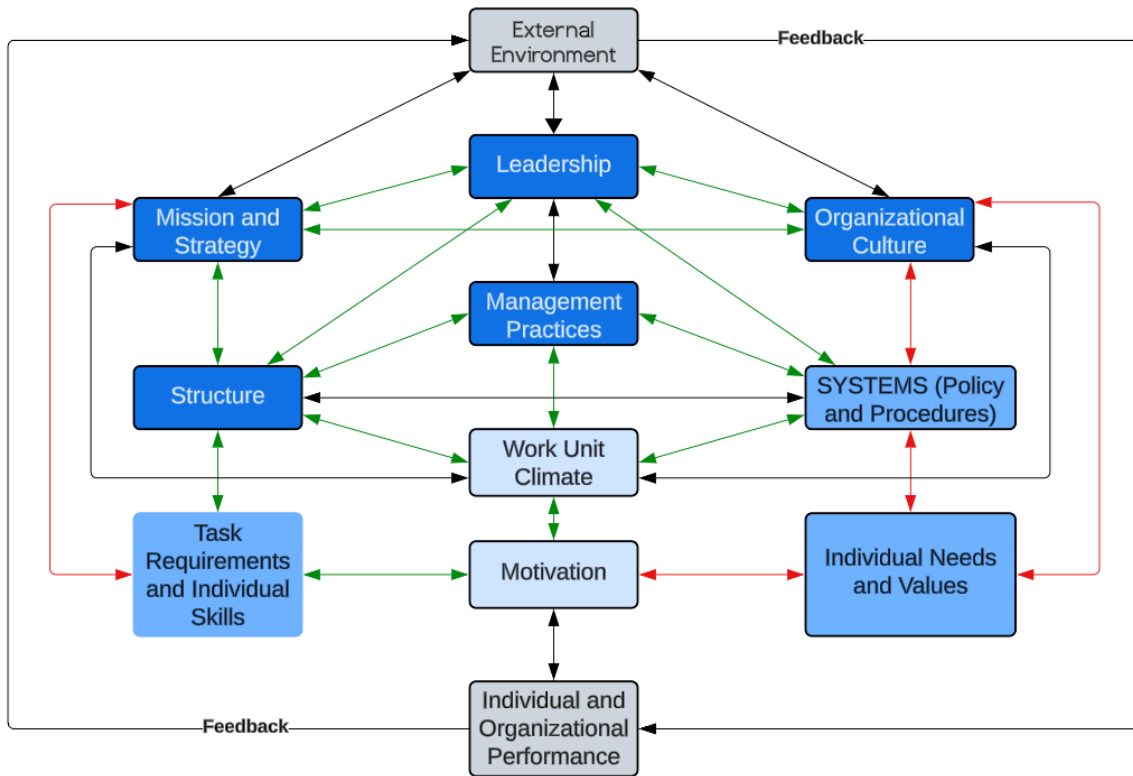


Figure 7. Burke-Litwin Change Management Model for Recommendation #4. Source: Burke and Litwin (1992).

After the recommendation has been implemented at the strategic DoD level, the first primary factor that affects the operational level is leadership. By transforming the budget, MAJCOM leadership responsibilities change how leaders set their priorities, how they allocate resources, and what they will do to align mission goals with budget execution. The new budget structure groups resources around MCAs instead of appropriation lines, requiring leaders to prioritize allocations based on capability portfolios instead of life cycle phases, such as development, production, and operations. Also, the new budget structure increases authority for MAJCOM leaders by decentralizing budget management, empowering leaders to swiftly align their resources with constantly changing operational needs while reducing bureaucratic delays. “Delegation of authority streamlines decision-making and reduces bureaucracy enabling a company to operate with greater speed and agility” (PPBE Reform Commission, 2024, p. 150). Additionally, transforming the budget structure will require collaboration between MAJCOM’s operational, financial, and

acquisition units. Leadership will need to include financial experts, operational planners, and program managers in their planning to ensure cohesive decision-making with the budget while strengthening collaboration within the MAJCOM. Finally, this budget structure will require performance-driven accountability. Leaders must create benchmarks that link to budget execution outcomes. Accountability improves leadership effectiveness by reinforcing the link between their decisions and the results.

Organizational culture is the second primary factor impacted. The new budget structure changes organizational culture at the MAJCOM level by altering how personnel will interact, collaborate, and adapt to new budget management expectations. Transparency and shared accountability will increase as budget decisions will be based on MCAAs instead of traditional appropriations, which is shown as a reinforcing feedback loop between leadership and culture. By promoting transparency with shared financial data and operational insights, MAJCOM leaders can create a climate of trust to reduce compartmentalization and improve cohesive decision-making. “A more collaborative sharing environment would improve overall communication, provide more transparency, and lead to a better partnership” (PPBE Reform Commission, 2024, p. 102). Leadership will see value in these but will also be concerned with members with new authority creating systems that could negatively impact individual needs and motivation because a change this bold will be uncomfortable for part of the workforce. Also, the transformed budget structure will require teamwork for resource management through budget reviews, cross-functional budget teams, and performance assessments. Fostering shared responsibility improves cooperation and will help ensure that budgeting decisions align with mission goals.

The third factor with a primary impact is mission and strategy. Transforming the budget structure changes how MAJCOMs will prioritize, plan, and execute their mission. Using MCAAs ties funding directly to mission-critical functions, enabling MAJCOMs to link budget decisions to strategic priorities. Also, the new budget structure will require MAJCOMs to adopt forward-looking and integrated approaches to strategic planning. Strategies will need to shift from short-term to multi-year mission forecasting to enable proactive allocation of resources for long-term defense readiness. Additionally, the

structure will enable real-time reallocation of funds based on changing mission priorities. “PMs and PEOs, alike, have asked for increased flexibility to make the changes necessary to ensure budgets align with the strategy, to incorporate the newest technologies in their programs, and to adjust to unplanned or emergent requirements during the year of execution” (PPBE Reform Commission, 2024, p. 165). This flexibility ensures that changing mission demands can be met without any disruptions and will improve long-term strategic success. Finally, the transformed budget structure supports long-term mission sustainability by allowing MAJCOMs to create investment portfolios for new technology and emerging capabilities. Multi-year funding strategies will help sustain readiness by enabling MAJCOMs to incorporate modern technologies to stay mission-effective.

The first transactional and primary factor is management practices. Management practices for MAJCOMs will shift to focus on transparency, collaboration, and performance-based decisions. “This change will increase transparency across all types of funding requested and more clearly link decision-making and resource allocation” (PPBE Reform Commission, 2024, p. 7). The new budget structure will require decision-making with real-time data, which will be supported by integrating financial management systems. This added support, capability, and integration is a positive link between systems and management practices. Also, to ensure consistency and accuracy in financial management practices, MAJCOMs will need unified budget development frameworks for reporting, reviewing timelines, and performance benchmarks. There is a positive link between structure and management practices because standardization can reduce inefficiency by having clear expectations and deliverables, which allows managing financial tasks efficiently while reducing administrative burdens. Finally, the MCAA structure focuses on results by linking financial decisions to performance metrics. MAJCOMs will need to incorporate performance metrics into their financial management practices to reinforce accountability at every management level. Leaders will then adjust allocations based on real-time performance evaluations.

Another transactional factor that has a primary impact to the organization is structure because the budget structure is fundamentally changing. At the MAJCOM level, this new structure redefines roles, streamlines financial management processes, and

improves cross-functionality. An effective structure can positively reinforce the mission, leadership, and the work unit climate. First, MAJCOMs will need financial management offices to focus on MCAAs instead of the legacy budget categories. Restructuring the finance roles promotes operational clarity and gives MAJCOM leaders better financial oversight while shifting budget execution tasks for more accurate and efficient resource allocation. The new structure will also require budget management teams with representatives from financial management, operations, and acquisitions units to lead the mission-driven budget formulation. Having teams share accountability will ensure that financial decisions are aligned with mission priorities, interdepartmental conflicts are reduced and minimize duplication of efforts. Furthermore, the new structure reduces bureaucratic bottlenecks to enable swifter decision-making and streamlined budget approval processes. Restructuring budget review processes allows MAJCOMs to make quicker financial adjustments in response to emerging mission needs.

The next factor, which is transactional but has a secondary level of impact as seen by the middle blue color, is systems by way of policy and procedures. Transforming the budget structure will require changes to the systems in place at the MAJCOM level such as financial processes and policy framework. First, MAJCOMs will need to standardize budget management policies to reduce variability while enhancing predictability. These policies can provide guidelines to reduce administrative issues for budget formulation and resource allocation which has a positive link between systems and management practices. Next, the MAJCOM will have to establish procedures to report performance indicators for budgetary outcomes. This can help MAJCOMs track expenses, and measure against performance benchmarks, all while promoting financial transparency and oversight. Also, policy frameworks will be needed to allow for flexible resource management. The reinforcing link from leadership to systems allows MAJCOMs to reallocate funds based on mission requirements, helping commanders shift funds when needed and within defined thresholds. On the other hand, culture has a negative link to systems because people are resistant to change when they are uncomfortable. Initially, the written and unwritten rules will be a hurdle for implementation as the people may not follow the new procedures created in the system and continue their old ways.

Another transactional factor with a mid-level impact is the task requirements and individual skills of members at the MAJCOM level. Transforming the budget structure will require changing the roles of team members to focus on MCAAs. One could expect the financial staff to reorganize from a functional structure to a product-oriented structure. Having a clear role improves job satisfaction by providing personnel with well-defined responsibilities, which is a positive link between structure and task requirements. If individuals understand their roles, then teams can align tasks with organizational goals which create purpose and shared mission focus. With more budget authority delegated to MAJCOM teams, individuals have some autonomy to make financial decisions within defined parameters. This freedom has a positive impact on motivation. Decentralized authority motivates personnel by giving them ownership of financial responsibilities, making members feel integral to mission success. MAJCOM teams can be motivated if members believe their tasks directly influence mission success and national security. Task requirements and individual skills negatively influence the organization through mission and strategy. It will take time for the skills of the workforce to catch up with the increased autonomy and freedom, which could hinder the ability of the leaders to change strategy until they catch up.

The last transactional factor with secondary level impact is individual needs and values. The new budget structure will require new systems and checks and balances. There is a negative link between systems and individual values because these added checks will limit the individuals, who believe they have more they can offer to complete the mission. In addition to a negative link to systems, this diminished confidence of the individuals will have a similar reaction toward motivation. Limiting the values and needs of the individuals and their perception of how they will complete their work will reduce their motivation to meet the goals of the organization. Lastly, the needs and values have a negative relationship with organizational culture for similar reasons. The new set of rules created by the organization in the culture faces the challenge of buy-in from the individuals. The individuals may want to revert to the old ways and resist change, which affects the culture and how the organization conducts business.

The next set of transactional factors has a low-level impact as indicated by the light blue color. First, switching to MCAAs will change the work unit climate at the MAJCOM level by requiring budget management teams to collaborate. Having different departments work together can improve trust, efficiency, and develop a shared purpose. A result-oriented work climate can improve motivation and productivity which is a reinforcing relationship. Additionally, there is a positive relationship between structure and climate because the defined responsibility and evaluation criteria help to hold personnel accountable for budget execution and success. Second, changing to MCAAs will impact the motivation of members within the MAJCOM. These changes can affect intrinsic or extrinsic motivators depending on personal goals and objectives. Greater autonomy in resource management can empower members, which increases job satisfaction and motivation. Also, the new budget structure measures the success of the mission outcome. Having a system in place to recognize performance can enhance motivation through the accomplishments of the task requirements and individual skill increases.

## V. CONCLUSION

The commission's recommendations and the analysis reflect the need for transforming the outdated PPBE process into a system that addresses modern defense challenges. Using insights from the commission's recommendations, the Burke-Litwin Model, and the analysis, this chapter summarizes the findings to include commonalities between the transactional and transformational recommendations. It also explains the urgency of implementing these reforms, their long-term impacts, and a call to action for the key stakeholders. Adopting these reforms is important to maintain military superiority, improve fiscal accountability, and operational readiness to address modern-era security challenges. The conclusion also looks at limitations and areas to consider while implementing the changes, then wraps up with future research.

### A. SUMMARY OF FINDINGS

We looked at four different recommendations from the Commission on PPBE reform. Two of the recommendations are focused on transactional change while the other two focus on transformational change. The analysis chapter used the Burke-Litwin model as a diagnostic tool to identify the factors within a major command that would be affected by implementing the recommendations. The benefit of using the Burke-Litwin model is that it is a diagnostic change management model that helps identify impacted factors of the organization and how they interact with one another. A system is a group of interconnectedness that creates a whole network where each part plays a role in making the organization work (Beerel, 2009). Once a factor has been changed, there is a reaction from other factors of the organization, as discussed in the analysis chapter.

Our analysis determined that policy changes have more significant effects on an organization's transactional factors, as seen in recommendations #6 and #8. When there is a policy update, the systems and management practices need to adapt. Due to the interconnectedness of the system, even though transactional factors have the largest initial impact, all factors will be affected. The diagnostic nature of the Burke-Litwin model helped

identify the degree to which these other factors of the organization are impacted and when the relationships among factors are reinforcing or limiting.

For recommendations #6 and #8, the areas impacted by rule changes are management practices and systems. For recommendation #6, when the increased availability of operating funds is implemented, there is a need for new standard operating procedures so that IT and control systems can allow an organization to conduct its business. Similarly, for recommendation #8, reprogramming from a small percentage of the appropriation account or increasing the threshold allows the organization more leeway in decision-making. This means that the management practices need to be restructured to ensure the mission is still being met and to confirm the systems are up to date with new operating procedures.

Where the two recommendations differ is in the organization's response to changes that involve people. For recommendation #6, one benefit is the added support for organizations and their programs. Increasing the availability of funds allows the organization more time to execute the budget fully without concern about ADA violations or unexpected expenses. A second benefit is the improvement of management practices and a more effective culture around purchasing. This decreases waste which leads to the last benefit of more strategic purchases. The carryover would increase the spending power, driving more deliberate purchases without concerns over losing funds. However, the cultural changes in recommendation #6 are negatively affected by the factors that involve people. Eliminating the use-or-lose mentality and subsequently changing the needs and desires of the individual is a large hurdle. This is in opposition to recommendation #8 where updating values for below-threshold reprogramming will lead to faster execution at all levels, especially at the operational level. Currently, the thresholds are not at the correct level if following historical increases and require extensive review and prior approval. This recommendation would mean fewer reviews at lower levels leading to better execution and reduced steps for approval and oversight. The interaction within the organization between the individual's needs, climate, motivation, and culture are all positive and reinforcing links. The added benefits of the change meet the needs of the individuals which motivates the culture to shift with higher expectations and collaboration within the organization and

to create new rules to support this effort. When the change is a motivator, the organization has positive links between the factors that involve the people.

Recommendations #1 and #4 have more transformational factors affected by changes in an organization. For large sweeping changes, like replacing the budget system in recommendation #1, the transformational factors are the primary drivers of the required systemic changes. The analysis chapter showed that leadership and mission and strategy are the common links affecting other factors in the organization. Leadership initiates the changes while the mission and strategy provided by leadership give a clear direction for resource alignment. Leadership enforces accountability and responsibility, while mission and strategy provide the long-term solution to sustain these changes. Each of these factors interacts with the transactional factors to form a framework that will help the DoD transition to a more effective budgeting process.

For recommendation #1 which replaces the outdated PPBE process with the DRS, this change presents transformational solutions to fix the limitations of the current process. One key insight is synchronizing resource allocation more effectively with DoD strategic priorities. This would allow for more agile and dynamic responses to emerging threats and advances in technology. Another key insight is that, unlike the rigid PPBE process, the DRS has a continuous planning and analysis cycle that incorporates feedback mechanisms. This helps ensure that resources are proactively allocated by senior leaders making decisions based on real-time information instead of reactive adjustments to outdated plans.

There are multiple benefits to implementing the DRS. First, it would enhance flexibility and responsiveness which would allow the DoD to rapidly adapt to geopolitical shifts and emerging requirements. This level of agility is vital for the DoD to stay competitive and maintain its strategic edge in this era of rapidly changing technology. Another benefit is that the DRS would streamline the budget process by reducing inefficiency and bureaucratic delays, common issues in the current resource allocation. The increased transparency of the DRS would increase collaboration between the DoD and Congress by promoting more effective oversight and accountability. Having budget decisions more closely adhered to the NDS would ensure that resources are more strategically allocated to effectively achieve mission-critical priorities.

Recommendation #4 aims to align the DoD budget structure with major capabilities instead of the traditional budget categories. One insight is that this change is a critical shift to modernizing financial management by bridging the gap between how funds are categorized and how DoD capabilities are developed or deployed. Another insight is restructuring capability portfolios which will provide a holistic view of resource allocation and directly link budgets to strategic outcomes. This will ensure that the budget process is more intuitive and responsive to our NDS requirements where technology and operations can span multiple budget categories.

This budget transformation provides several benefits. First, it would improve strategic alignment by guaranteeing every allocated dollar is designated to advance the NDS. Also, implementing this recommendation would simplify Congressional oversight as new funding requests would be evaluated using capability-driven outcomes instead of fragmented technical categories. Additionally, the flexibility in this capability-based structure would promote innovation by allowing rapid adjustments to incorporate new or emerging technology. Finally, transforming the budget reduces its administrative complexity while streamlining decision-making. This would allow program managers and leaders to dedicate their focus to mission-critical objectives instead of having to deal with navigating rigid budgetary constraints.

## **B. CHALLENGES FOR IMPLEMENTATION**

The Burke-Litwin model builds upon the Nadler & Tushman model to show that diagnostic models can include a starting point within the system and how the factors of the organization affect one another (Martins & Coetzee, 2009). However, while the Burke-Litwin model is a diagnostic model showing what is affected, it cannot identify a process to make changes within the organization. On the other hand, utilizing a process change management tool like Kotter's 7-step model does not address the initial concerns because it lacks the identification tools to find the factors affected in a dynamic system. For change to take place, there should be three critical factors: dissatisfaction, identifying the areas affected, and then creating a process to address the issues (Beer, 1988). The purpose of this

thesis was to identify the main factors of the organization that will be affected by these changes to help ease implementation, not develop a process for the change.

Other challenges to implementation that have been identified from the analysis chapter include resistance to change and resource limitations. Resistance to change is expected, especially when it involves a reduction in oversight, loss of influence over certain approvals and processes, or disrupts longstanding values and beliefs. The stakeholders and saboteurs need to be included and addressed to ease the transition before, during, and after the changes are implemented. As long as concerns are appropriately addressed, new practices and policies will be more easily implemented.

The last challenge for implementation is resource and workforce limitations. Both adequate training and time for this adjustment will help meet this challenge. Historically, the workforce has been told to do more with less. However, if implemented, these recommendations will increase autonomy and make work more efficient. For implementation to be successful, confirming the workforce is ready to operate with more resources and responsibilities will be key. There may be change weariness and burnout if the changes are implemented all at once. One way to mitigate burnout is through a staggered approach. This means implementing the recommendations in a logical flow that allows the organizations within the DoD a chance to accept the changes and adapt to the new freedoms and flexibility. There will have to be motivation from the DoD and congressional committees to continue to revise the PPBE process as these changes take place. Ensuring agreement among all stakeholders will be a challenge but is ultimately achievable and necessary for success.

### **C. FUTURE RESEARCH**

There are many opportunities for future research, but we believe three are the most important. The first area for future research should be to apply the Burke-Litwin model on a much larger scale. A larger scale can mean incorporating the other recommendations or different organizational levels within the DoD. This research will help us better understand the factors within the organization that are impacted by these changes. It would also mean

that this model could be applied to the operational level of the DoD for other change initiatives which would create similar results.

The second area for future research is finding a process model for handling organizational change. Now that factors have been identified and we've learned how their interactions have influencing effects, a process needs to be explored to ensure an effective implementation. There is strength in building upon these diagnostic models to find a process model that may further aid in change management at any level of an organization. Included with the process model development, there needs to be a scorecard created to grade the accuracy of this study which would further prove the strength of the model.

Third, after some of the recommendations are implemented, the Burke-Litwin model could be used in a post-mortem analysis of the change through field research. The notional effects in this paper could be validated or modified through observation.

#### **D. FINAL CONCLUSION**

Implementing the Commission on PPBE reform's recommendations will help to modernize and enhance DoD resource management. The current budgetary system is not able to meet the demands of the modern military or keep up with rapidly changing or emerging technology. Transitioning to the DRS will allow the DoD to overcome budgetary inefficiencies, quickly respond to emerging threats, and develop a resilient and adaptive military organization. Commitment and collaboration from the legislative and executive branches of government will play an important role in implementing these recommendations and achieving a modernized national defense structure.

To implement the PPBE reform recommendations, we must consider the factors of the organization where changes are being made. Understanding where changes impact the organization helps focus efforts to ease implementation and to improve factors like culture and motivation which drive the organization.

The PPBE reform recommendations must be promptly enacted. Near-peer competitors to the U.S. like China and Russia are outpacing the DoD's current budget processes. The current system is slow and rigid which prevents timely deployment of

critical technology to the field. Also, delays from budget constraints and the old legislative framework are hindering resource allocation. If reform is not done soon, the U.S. runs the risk of losing its competitive edge and diminishing national security in a volatile global environment.

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