

**SHARPENING DOD'S  
COMPETITIVE EDGE:  
TAIL-TO-TOOTH AT 20**

**Business Executives  
for National Security**



Business Executives for National Security (BENS) is a unique nonpartisan nonprofit comprised of senior business and industry executives who volunteer their time and expertise to address the national security community's most pressing challenges.

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# FROM PAST TO PROLOGUE

At the height of the Cold War, the security-to-support spending ratio was in relative balance. By early 2001, however, only three out of ten Pentagon dollars went to fund weapons systems, training and the combat capabilities that protected our shores. Seventy percent of the defense budget was spent on support functions. In effect, the post-Cold War cut in defense spending came overwhelmingly from the Defense Department's security "tooth", not its paperwork/support "tail." This imbalance was the genesis of the BENS Tail-to-Tooth Commission, a panel of business executives, former government officials and retired military leaders formed in October 1997. The Commission's bottom line: bring world-class business practices to the Department of Defense and reinvest the billions saved in combat capabilities. Three and a half years later, the Commission concluded their work and advanced eleven initiatives distinguished by the best business practices for which BENS is well known.

The idea was that the business models that served America's world-class companies so well could be adopted by the Department of Defense, saving resources that could then be reinvested in modernization and other priority programs. Rather than conduct another study and issue a set of recommendations, only to see necessary reforms ignored or blocked, the BENS Tail-to-Tooth Commission resolved to:

- **Build on the work of others who preceded the Commission in recommending change;**
- **Target areas where the need for reform is widely agreed upon; and**
- **Focus on how key initiatives in those areas can be put into practice**

The Commission's eleven initiatives were accompanied by concrete steps to achieve them. Taking actions that had been recommended by experts over the prior years and were proven successful in business applications could transform our military, the thinking went. More importantly, these efforts were postulated to free resources for redirection into real combat capabilities.

What did BENS produce at the conclusion of the Commission's work? Three primary outputs:

- » **BENS Tail-to-Tooth Commission Call to Action.** *This 28-page booklet provided an overview of the work of the Commission and the 11 initiatives recommended for immediate action.*

- » **Matrix of Recommendations from Previous Studies.** *This chart summarized recommendations from some past defense reform panels that were also part of the Commission's eleven initiatives for action.*
- » **Roadmaps for Change.** *This was a package of 11 brochures mapping steps required to accomplish the changes the Commission recommended for immediate action. These brochures were designed for decision makers as well as those charged with putting policy decisions into action.*

Spending on defense generally falls into two broad categories: dollars that go toward combat capability and dollars that go toward supporting combat personnel. The percentage of

spending on military combat capability relative to support is commonly known as the tooth-to-tail ratio. While the concept is well-accepted, the specific definitions of “tooth” and “tail” are not. Broadly defined, “tooth” is personnel, systems and support in the hands of operational combat forces. The “tail” is everything else, ranging from data processing, accounting and housing to transportation, health care, education and surplus property disposal. Since the end of the Cold War, and up to the turn of the new century, the Department of Defense took historic steps to reduce the size of the combat tooth, cutting the number of people in the military by 40 percent.

Yet the Pentagon’s oversized support structure was mostly resistant to change. The trend of non-combat functions absorbing more and more of the Pentagon budget was dangerous, and threatened to erode the ability of our fighting forces to accomplish their primary military missions. Back then, money budgeted for procurement of new equipment to modernize and re-capitalize the force was diverted to pay for current operations. Spending for new weapons and other equipment declined by more than 60 percent in real terms from its Cold War high point. Thus, the Commission’s goal: to promote changes in the Pentagon’s business practices so savings could be invested in combat capability.

Central to the Commission’s thinking was the adage: “It’s not that more is better or less is better. Better is better.” To reach the goal of “better,” the *BENS Tail-to-Tooth Commission’s Call to Action*:

- » Identified and promoted business models to cut overhead, buy smarter and budget better;
- » Recommended changes the Pentagon should undertake to save money to reinvest in combat capabilities; and
- » Proposed specific steps for working with decision-makers in Congress, the Administration and the Pentagon to implement real change

With the best military in the world, why would anyone want to change the way the Pentagon does business? The Commission held six work sessions to hear from a wide range of defense policy experts and leaders from government and business.

**In the course of their deliberations, Commissioners identified specific reforms, summarized by these eleven priority initiatives:**

**Expand acquisition reform pilot programs**

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**Improve process of contracting for services**

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**Revise the A-76 process to make DoD’s outsourcing competitions successful**

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**Close unnecessary and obsolete military bases**

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**Complete strategic sourcing of all defense agencies**

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**Make the private sector the preferred provider of military family housing**

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**Make the private sector the preferred provider of long-haul defense communications**

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**Make the private sector the preferred provider of utilities on DoD bases**

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**Make the private sector the preferred provider of life-cycle support and supply chain management for DoD**

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**Implement activity-based costing and management throughout DoD**

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**Adopt a biennial DoD budget process**

# DEFINING THE TAIL-TO-TOOTH RATIO

Defense infrastructure—commonly referred to as “tail”—was broken down by DoD into eight categories when the Commission published its findings:

- » **Installation support:** activities that furnish funding, equipment and personnel to provide facilities from which forces operate, for example, family and bachelor housing
- » **Acquisition infrastructure:** program elements that support program management, program offices, and production support, including science and technology and test and evaluation facilities
- » **Central logistics:** programs that provide support to logistics organizations like supply and maintenance activities
- » **Central training:** program elements that provide resources for all training not done in the individual unit, such as aviation and flight training and the military academies
- » **Central medical:** consists of programs that furnish funding, equipment and personnel that provide medical care to active military personnel, dependents and retirees
- » **Central personnel:** consists of all programs that provide for the recruiting of new personnel and the management of dependent schools, youth, and family centers, etc.
- » **Command, control and communications:** consists of programs that manage these activities for the DoD, including, for example, the Global Positioning System
- » **Force management:** consists of all programs that provide funding, equipment and personnel for the operation of major military command headquarters activities

Between 1997 and 2001, these eight categories accounted for approximately 60% of the defense budget, or about \$744 billion. DoD did not include certain intelligence, space and other command and control programs in its tally even though they appeared to fit the definition of infrastructure. These programs would add another \$30 billion per year to the infrastructure account, bringing the ratio to about 70:30.

# FROM PROLOGUE TO TODAY

So, what has happened in the 20 years since the Commission's findings and *Call to Action* was released? For starters, the events of September 11, 2001—4 months after the Commission's report released—changed our world forever. Two major decades-long overseas wars and other lesser conflicts resulted in a revolution in military affairs and a military technical revolution and while straining resources and people. The 2012 Spending Reduction Act and Sequestration placed a disciplined budgetary clamp on defense programming and spending, resulting in subsequent years in the extreme tightening of defense budgets, and overall federal budget. While the Tail-to-Tooth Commission's findings met with uncertain and mixed success, the makeup of the "tail" was changing, with changes in the *National Security* and *National Defense Strategies* both driving specific defense requirements.

As BENS marks the 20th anniversary of the Commission and the Department of Defense enters a new decade, with Great Power Competition and the likelihood of austere budget environments driving calls for fresh ways to address burgeoning challenges, a new opportunity for BENS to assist has arisen. A new BENS initiative focusing on best business practices for enhancing warfighting capability positions the organization to help DoD incorporate the management strategies required to gain both efficiencies and savings for meeting defense needs in the decades to come.

## **FROM CURRENT DAY TO CHALLENGES OF THE FUTURE**

The Department of Defense today faces a renewed challenge to position itself for a future threat landscape representing a fundamental departure from the past twenty years. Paired with this is the emergence of revolutionary new technologies that could facilitate a re-imagining of the tail. Great Power Competition (GPC) is likely to drive defense priorities for the foreseeable future and it is within this context we look forward and ask what this means for the resources available to the Department and how they might best be spent. DoD once again finds itself at a crossroads akin to the end of the Cold War, where, after two decades of fighting, the end of deployments in Afghanistan and elsewhere are likely to yield some form of financial dividend. The question, however, is whether this will allow defense modernization to flourish or, as with the end of the Cold War, to atrophy.

In light of this new era of GPC, the DoD should contemplate which parts of the conventional tail could be further economized through

an injection of fresh thinking to maximize the dollars available toward an increasingly broad spread of capability. Acquisition reform, commercial provision of long-haul communications, and utilities on DoD bases are, for example, ripe for further improvement. With guidance toward adopting such a view now, DoD is less likely to repeat the habits leading to the original 70:30 split of resources in the 1990s.

Further, technological change continues apace in a manner likely to affect defense acquisition and support. In an age of rapid technological developments in quick succession, where concepts like mosaic warfare may well dominate the strategic outlook, the DoD will have to be agile, creative, and capable of modernizing while also innovating at scale in order to keep up. With this in mind, it is reasonable to question how artificial intelligence, unmanned vehicles, connected devices, gray zone warfare, cyberspace operations, hypersonics, the advent of the Space Force, energy and climate issues might impact DoD planning and whether the Defense Tail and Tooth are equipped to respond and thrive.

These new technologies present opportunities as well as challenges, too. Effective data collection and management presents a new window for more effective tail management. The speed with which data analytics has steadily progressed since the original 2001 report means DoD may be well served in considering ways in which it could better leverage data to manage its support functions. For example, data could be the foundation on which a maximally efficient property and asset portfolio is managed, or used in conjunction with the swiftly emerging internet-of-things to accurately foresee the need for predictive maintenance, thus, driving efficiencies in operating and maintenance costs.

These considerations will of course come in the broader context of continued evolutions of the US's strategic alliances. Will predictions of a strengthening system of alliances under the Biden administration come to fruition in the face of major divergences of opinion between the US and Europe over China and Russia? How might this affect defense reform and the allocation of resources? Will the US's Pacific allies demand a greater share of DoD resources divested from Europe and other regions to their own theater? The geographic realignment of priorities may well engender a major burden to be borne by the tail that would make efficiency all the more important.

Cutting across these new areas for consideration lies the potential for continued development of public-private partnerships (PPP) in order to maximize the use of expertise and talent existing across the nation. As part of a new initiative, a new group of business experts might take the privatization recommendations from 2001 to a more developed end. This offers a rich topic area in which BENS could explore for better coordinating public and private research and development, shared resources, appropriate contracting mechanisms for operational functions, and leveraging private sector talent for DoD's operational needs. The Department has, up to now, focused its use of PPPs on the tail, though it has made use of them for operational purposes through examples like the US Air Force's contracts with Omega Air Refueling or Draken International. Unfortunately, DoD has been less inclined to entrust operational functions to PPPs. BENS could use the opportunity to assess the use of PPPs in operational functions to maximize the benefits to operational forces and the taxpayer.

With the above challenges, and many more in mind, one might ask whether the tail and its culture remain fit for purpose. Does the formulation—"Efficiency for Lethality"—remain appropriate? If not, then how else might DoD consider its overarching goals? Within this framing, BENS should look for ways in which they can make a difference in the following areas:

- » Managing property and asset portfolios
- » Controlling operating and maintenance costs
- » Building a competitive workforce
- » Modernizing and innovating at scale

In assisting DoD with a focus on the four listed subject areas, BENS can fulfill a unique role in positioning the DoD for the outlined challenges in the coming years. And through the adoption and application of best business practices to the Defense Tail, DoD can ensure appropriate resources continue to flow to the Tooth, maintaining operational effectiveness and maximizing defense value for US taxpayers.



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