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14 April 1976

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Options for a National Production System

1. We have been discussing the future handling of national production since the Executive Order was issued in February. From these discussions have emerged consensus on some issues and definition of others on which no consensus exists. In addition, from the Executive Order itself come new requirements that must be accommodated. This memorandum provides a basis for you to reach a decision on these matters. I believe you should do so now, while your freedom of action is at its maximum.

2. Statutes and Directives

-- The National Security Act of 1947 states that: "...it shall be the duty of the Agency, under the direction of the National Security Council...to correlate and evaluate intelligence relating to the national security...Departments and other Agencies of the Government shall evaluate [and] correlate...departmental intelligence."

-- E.O. 11905 provides that: "The DCI will...supervise production and dissemination of national intelligence...Promote the development and maintenance by the Central Intelligence Agency of sources of common concern...including... national level intelligence products."

"CIA will...produce and disseminate foreign intelligence relating to the national security...to meet the needs of the President, the National Security Council, and other elements of the United States Government."

"Senior Officials of the Intelligence Community shall...contribute in areas of [their] responsibility to the national intelligence products produced under auspices of the Director of Central Intelligence."

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3. It is generally agreed that:

-- National production should be administratively placed as close to you as possible.

-- You should receive substantive advice directly, without a requirement that it be channeled through either Deputy.

-- The NIO's are extremely useful as staff officers and should continue in this role. (Their staff functions include: consumer liaison; advice to the DCI on substantive matters, including intelligence production; action to develop teamwork among producers and collectors and among agencies of the Community; and energizing the Community to address new problems, fill gaps, and exploit new sources and methodologies.)

-- The quality of estimative intelligence would be improved by some sort of collegial review process.

-- The system should provide for a formal Community role, and should in practice encourage maximum Community participation where the product would not suffer thereby.

4. There is disagreement over the present management of national production. In the present system, the NIO's act not only as staff officers but, with respect to estimative production, as managers.

-- Line managers of production organizations argue that this system divides and weakens responsibility for review of product and undercuts their authority over their analysts. They believe confusion over responsibility for product means that papers are issued without sufficient review. They see the NIO's as having first call on their resources but no responsibility for justifying these resources or managing them. They believe the focus of NIO's on short-range policy support draws resources away from essential longer range research. Moreover, the individualistic nature of the NIO system creates uncertainties within the system and makes for

an uneven product.* The DCI does not have one manager for national production; he has a dozen. This leaves him the only generalist officer in the review process and places on him too great a burden for ensuring that all regional and functional interests have been considered. Finally, the flow of current intelligence support to the policymaker is managed separately from the flow of estimative support.

-- The NIO's do not accept most of these criticisms. They contend that the ability of the NIO's to cut across organizational barriers makes for maximum flexibility in focusing Community resources on a particular problem. They agree that this creates some tension within the system but believe that this is a relatively small price to pay for producing truly national intelligence. To them, if intelligence does not meet policy support requirements, its performance in research will be irrelevant. They do not accept the argument that the quality of product has suffered. Rather, they argue that improved communications with the consumer have made the product much more useful. Moreover, they believe that line managers are too focused on management concerns to give full attention to the product. The system is individualistic, but by design: the requirements facing each NIO are unique, and he must deal directly with the DCI in his own way. The NIO's would agree that the system separates current and estimative intelligence, but do not consider this a matter of concern.

5. The Executive Order, in addition to confirming your authority over the national production system, generates two new problems you must take into account in considering changes to that system.

-- The creation of the CFI provides for the first time centralized resource authority over the Community. If that authority is to be used effectively, the IC Staff must be able to

*The Director of Current Intelligence, CIA, must meet the requirements of seven NIO's, for three of whom his are virtually the only supporting analysts available, and has at least peripheral concerns involving all eleven.

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provide the CFI with requirements and evaluations that have been developed by the production organizations and their analysts. A systematic allocation of resources must reflect a systematic marshalling of analytic judgment. No effective central management for such a purpose now exists.

-- The trend over recent years toward a greater separation of the DCI in his Community role from the Central Intelligence Agency has caused morale problems in CIA, which sees itself as being ousted from its "central" role. Separation of the DCI is institutionalized in the Executive Order, and in your consequent decision to transfer the Vice-Chairmanship of NFIB to your Community Deputy. But CIA, after the travails of the last three years, needs a reconfirmation from you that it is central and essential to the nation if it is to recover its élan. Moreover, it would be desirable for you to structure relations between your deputies so that their roles are 1) mutually supporting; and 2) more or less balanced in responsibilities.

6. We have developed four options for you to consider. Each assumes that your Community Deputy will be Vice-Chairman of NFIB. Each links you closely to national production and provides for substantive advice directly to you. Each retains the NIO's in their staff role and incorporates the improvements that all agree they have brought to national intelligence. Each can accommodate a collegial review function. (There are several forms such a review might take, and several variants on how the NIO's themselves might be constituted; this memorandum does not address these questions.)

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-- Option I retains the present system, perhaps with minor modifications. The NIO's continue to manage national estimative production; CIA continues to handle current. This Option as it stands does not provide for a strong analyst-based evaluation system.

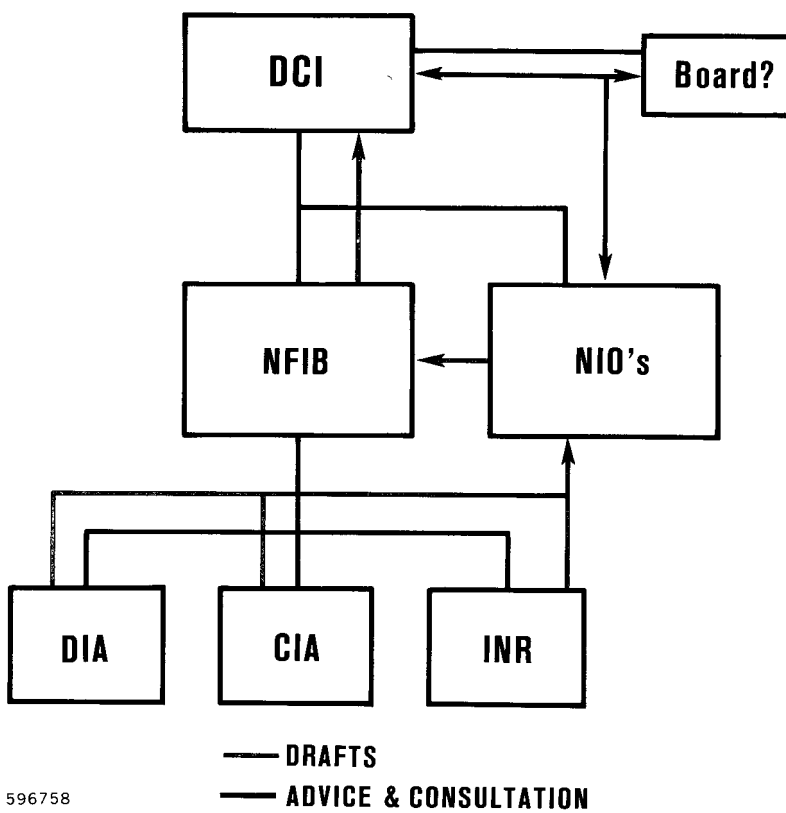
PRO: Provides maximum Community role
Provides flexible system
System works reasonably well
Least disruption

CON: No single officer responsible for production
Product suffers from divided responsibility
Violates chain-of-command
CIA downgraded, no longer central
DD/COMM greatly overweighs DD/CIA
NIO's must be integrated into larger structure and given additional staff if evaluative input to ICS is to be provided
Current and estimative separated

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**Estimative Intelligence
Option I
Present system**



-- Option II transfers the management of national estimative production to a Steering Group composed of the production managers of CIA, DIA, and INR, and chaired by DD/CIA or DDI. Through them it places the responsibility for production and review within the line organizations. The Steering Group is charged with providing evaluations to the ICS. (See Paragraph 7 for a discussion of the production process and the role of the NIO's under Options II-IV.)

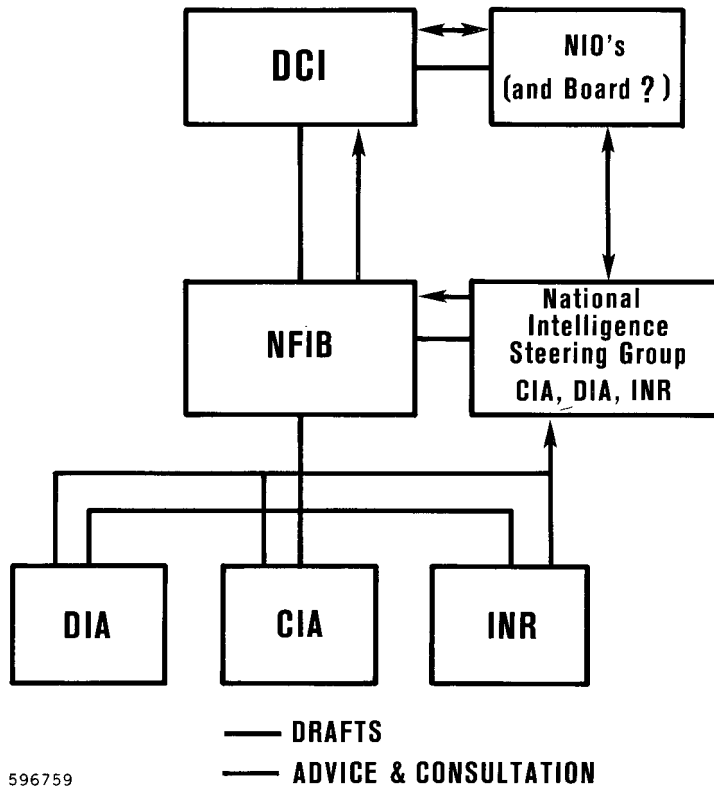
PRO: Maintains strong Community role
Places estimative production in the hands of line managers
Gives some "centrality" to CIA through chairmanship of Steering Group
Provides mechanism for evaluative input

CON: No single officer responsible for production
Cumbersome: an additional layer in the process
NIO's will have difficulty relating to the management system
DD/COMM still out of balance with DD/CIA
Current and estimative still divided
Some disruption necessary

Estimative Intelligence

Option II

Present system with community production management separated from NIO's



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-- Option III eliminates the Steering Group and makes the Deputy for CIA the DCI's Executive Agent* for national production, both estimative and current. He in turn is responsible for organizing and coordinating Community participation. The NIO's report separately to the DCI, as in Option II. DD/CIA also becomes Executive Agent for Community evaluation.

PRO: All production management, current and estimative, in hands of line managers
One officer (DD/CIA) responsible for all Community production
DD/COMM and DD/CIA have balanced, complementary responsibilities
CIA role as central organization reaffirmed
Provides mechanism for evaluative input
Improved efficiency
System worked well on military estimates
1970-73

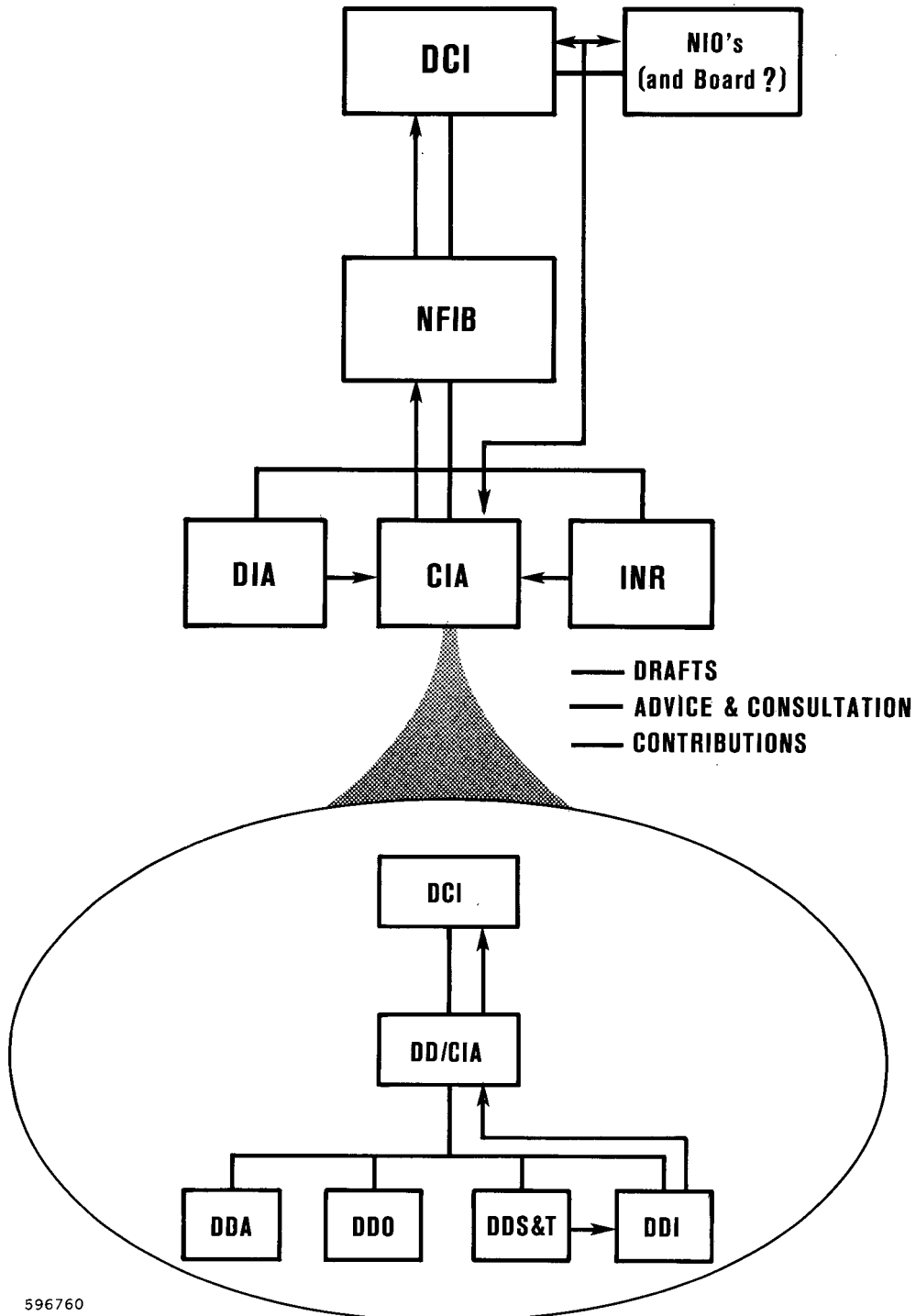
CON: Some loss in the appearance of Community participation; the actuality will depend on what mandate DCI gives to DD/CIA
DIA and INR may view as a step backward
With these additional duties, DD/CIA may not be able to give sufficient attention to management of the Agency
The NIO's will have some difficulty relating to the management system, although less than under Option II
Some disruption necessary

*DD/CIA might want to retain the Steering Group to advise him.

Estimative Intelligence

Option III

Adaptation of system used for military estimates 1970-73



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-- Option IIIA is similar to Option III in all but one respect. In matters relating to production, the DDI reports directly to the DCI and thus becomes his Executive Agent* for national production.

PRO: One officer (DDI) responsible for all Community production
All production management in the hands of line managers
CIA role as central organization re-affirmed
Provides mechanism for evaluation input, in which CIA complementary to ICS
Improved efficiency
DD/CIA would carry less load than under Option III
One less layer between DCI and producers

CON: Some loss in the appearance of Community participation; the actuality will depend on the DCI's instructions to DDI
DIA and INR may view as a step backward
The NIO's will have some difficulty in relating to the management system, although less than under Option II
Some disruption necessary

*DDI might want to retain the Steering Group to advise him.

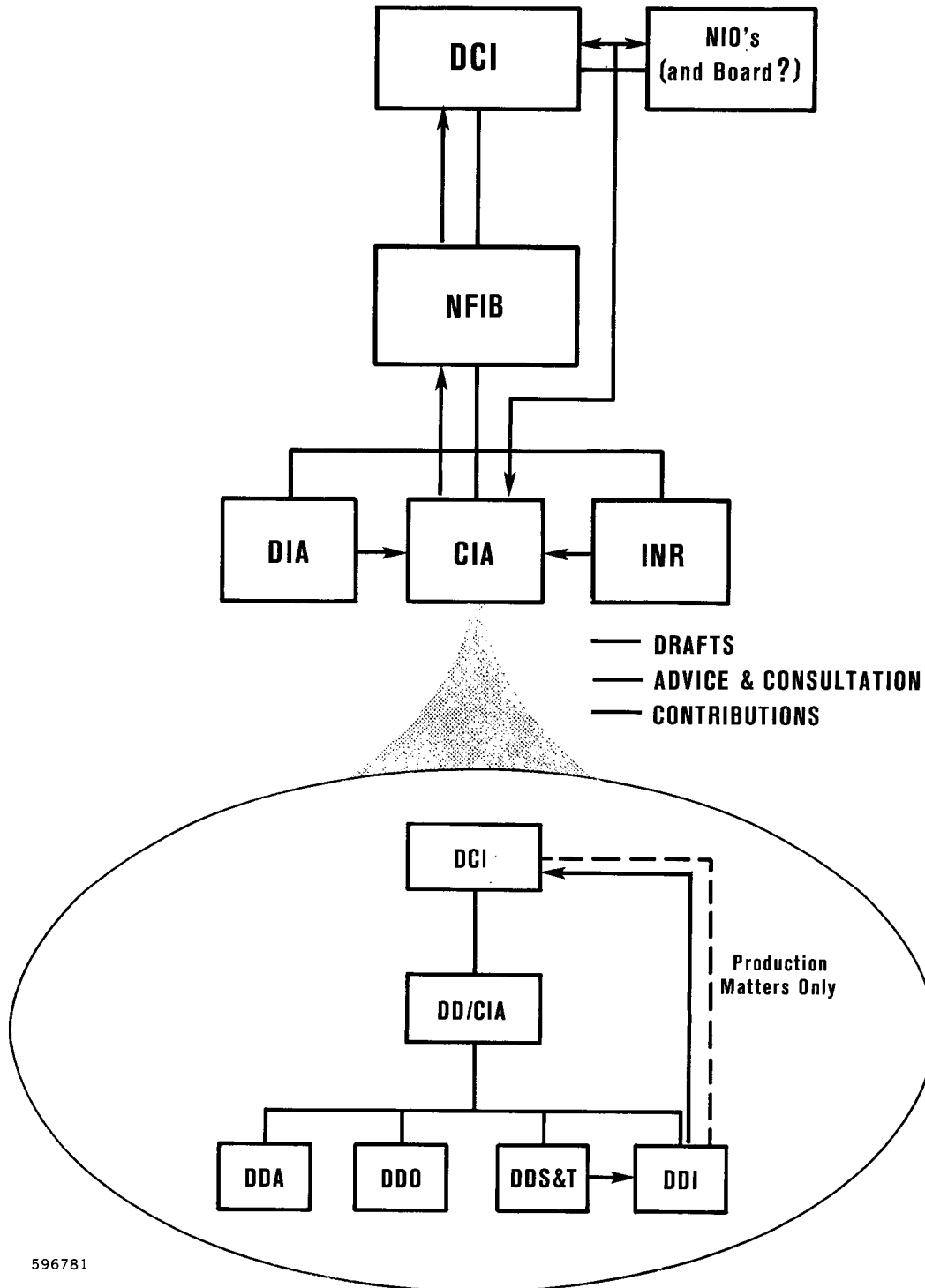
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Estimative Intelligence

Option IIIa

DDI as Executive agent



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-- Option IV goes a further step. The DDI/CIA is Executive Agent and becomes in effect the chief NIO as well. His Directorate remains administratively a part of CIA, but he reports directly to the DCI, not through the Deputy for CIA, on other matters. This amounts to the creation of a national production organization under the DCI. It would be responsible for managing Community evaluation.

PRO: Integration of NIO's and CIA producers makes for maximum efficiency
Brings production most directly under DCI control
All production management in hands of line managers
One officer (DDI) responsible for all Community production
CIA role as central organization reaffirmed
Compared with III, reduced load on DD/CIA
Provides mechanism for evaluative input in which CIA complementary to ICS

CON: Would considerably exacerbate problem of Community participation noted under Option III
Would create serious concerns in other Community agencies
While NIO's would be available to DCI, their ability to operate throughout the Community would be reduced
Could be seen as first step toward fragmentation of CIA
DD/CIA would carry less weight vis-a-vis DD/COMM
Considerable organizational disruption

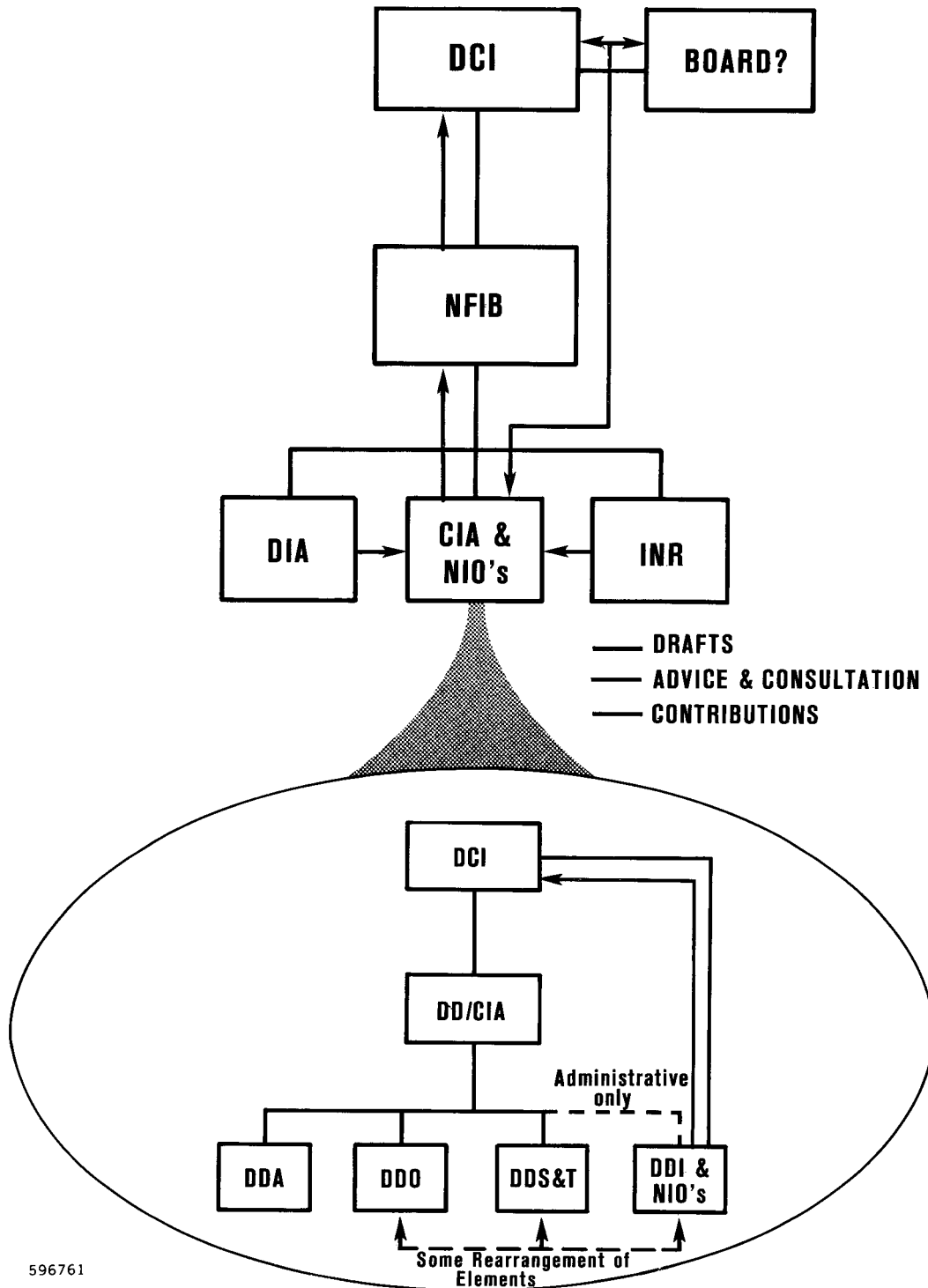
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Estimative Intelligence

Option IV

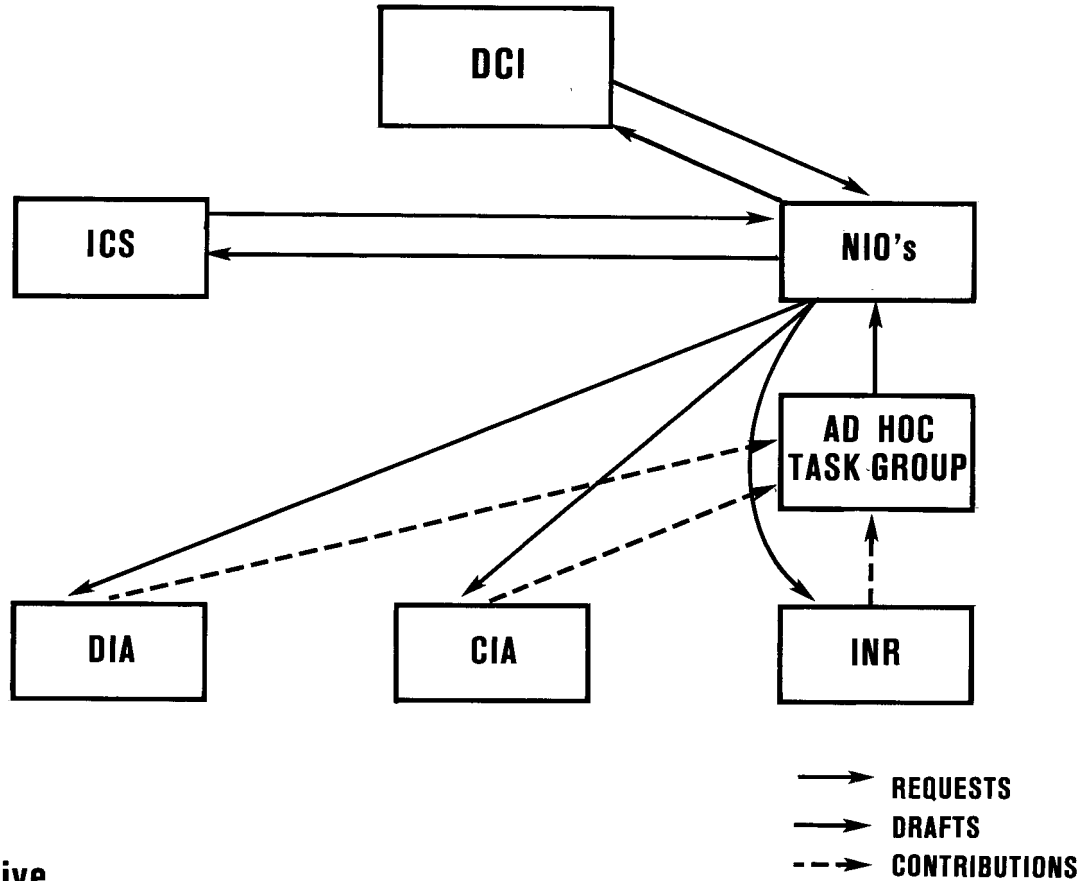
National production organization directly subordinate to DCI



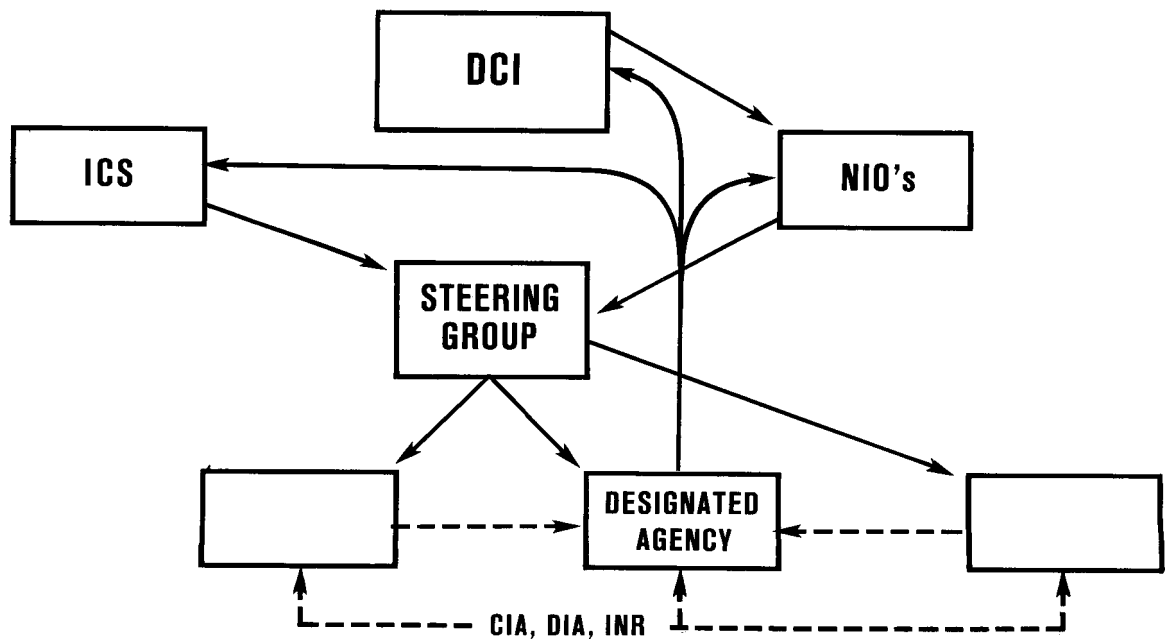
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THE PROCESS

1. Estimative Option I



2. Estimative Option II



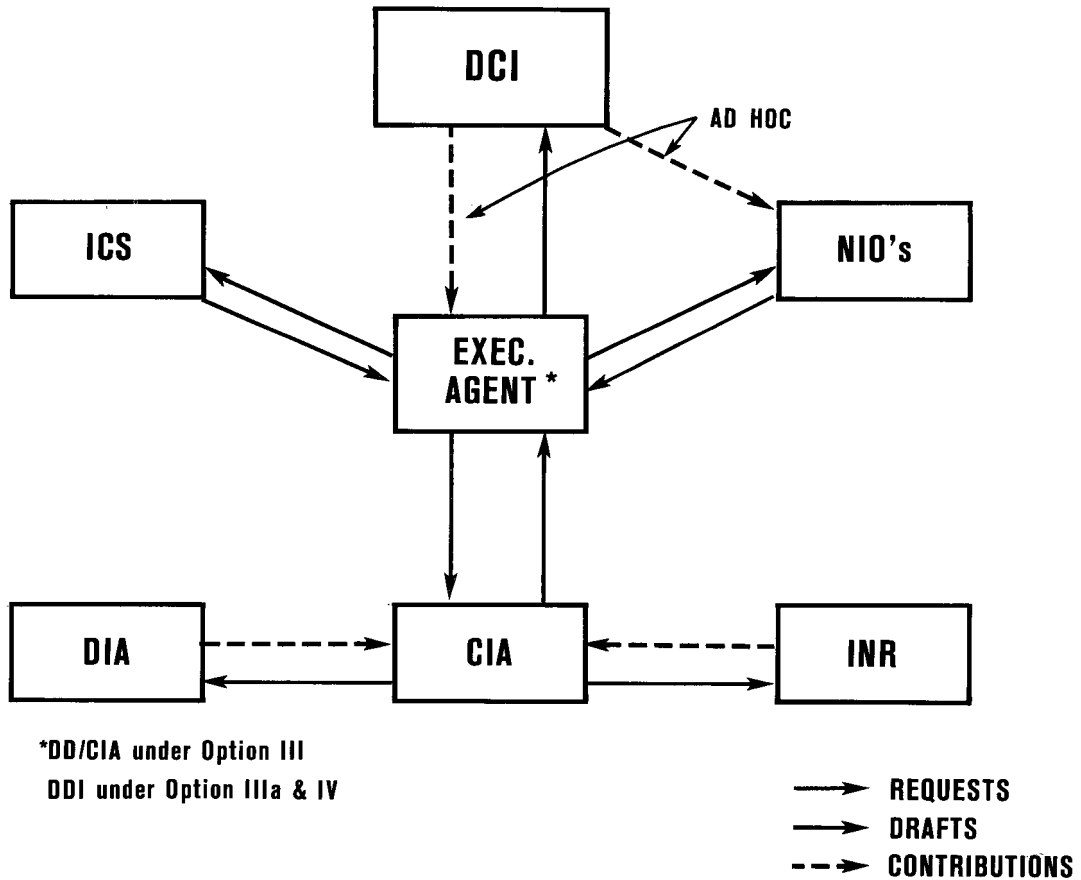
7. Options II-IV require a change in the production process, in which responsibility for the finished product rests more on the line production managers than it does under the present system. At the same time, each of these options places on the NIO responsibilities comparable to those he now carries.

-- In Option II, the NIO (or for evaluations, the DD/COMM) states his requirement for a paper to the Steering Group and recommends which organizations and analysts should be involved. The Steering Group decides how the paper is to be produced (normally accepting the NIO's definition of the paper and giving full weight to his recommendation). It designates which production Agency will manage the product. That Agency is then responsible for assembly of contributions, drafting, coordination, etc., and delivering a draft to the DCI. The NIO is responsible to the DCI for reviewing the draft and advising him as to its suitability before the DCI finally issues it. He may serve in this regard as the member of a collegial board who has primary interest. He is also free to participate in the process at every stage, but not to direct it. Rather, his influence comes from the fact that the drafters will have to defend the piece before the DCI, or the DCI's board of review, and the NIO has an independent opportunity to advise the DCI. It is therefore in the production officer's interest to take account of the NIO's view, but he remains personally responsible for his product from the time he is asked to prepare it until the time the draft leaves his organization. His analysts are working for him.

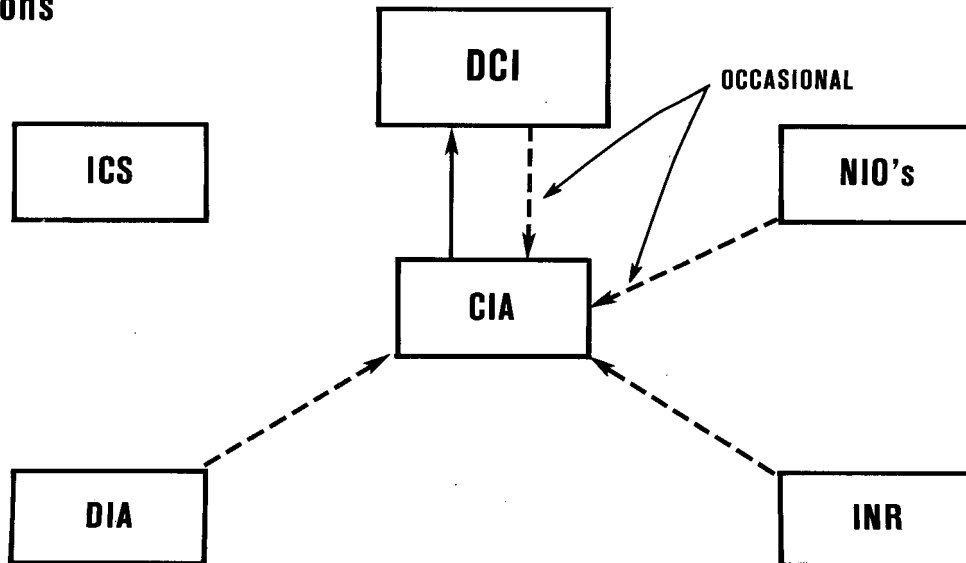
-- In Option III, one layer is removed from this process. The NIO addresses his request to the DD/CIA, who is then responsible for arranging with DIA and INR for drafts and contributions, and for arranging coordination. Under this Option, CIA would usually take the lead, but the participation of the other agencies would

THE PROCESS

3. Estimative Option III & IV



4. Current All Options



otherwise be no less. (The DD/CIA will have to accept that in these matters the easy way--turn to CIA--is not necessarily the best way.) The NIO then works with the drafters as fully as under Option II, and his responsibilities to the DCI are unchanged.

-- Option IIIA differs from Option III only in substituting the DDI for the DD/CIA, thus removing another layer. The role of the NIO remains the same.

-- In Option IV, the NIO's are integrated into the DDI structure, but still serve the DCI individually. This is an efficient arrangement, but under it they obviously cannot, while they can do the other things called for under Options II, III and IIIA, give the DCI independent advice. That function must fall to a board of review, although an individual NIO might well serve as an ex officio member of such a board for papers in his field.

8. The changes under Options II-IV are directed toward combining the best elements of the various systems used in the past. The worst faults of the system prior to creation of the NIO system were communications failures between consumer and producer and among elements of the Community. These Options retain the improvements in communication derived from the NIO system while moving toward more clearly defined responsibility, and therefore--one hopes--toward quality. Should any of them be adopted, there would be no reason to anticipate any loss in responsiveness if production management responsibility reverts to line officers. The intelligence production business, like any bureaucracy, has a number of echelons, but over the last two decades it has developed a discipline that enables it to deliver a product to the consumer when he wants it and how he wants it, wherever the request enters the system. We have learned not to let our own bureaucratic structure get in the way of doing the job.

RICHARD LEHMAN

SUMMARY TABLE: OPTIONS FOR NATIONAL PRODUCTION
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 Agreed Requirements
 (Para 3)

← Area of Disagreement (Para 4) ← New Requirements Under E.O. (Para 5) →

OPTION	National Production Administratively Close to DCI	Direct Substantive Advice to DCI	NIO Staff Functions In Support of DCI	Collegial Review	Formal Community Role	Practical Community Participation	Management of Production	Evaluation Management	IC-CIA Balance
I	Through NIO's directly	By NIO's	As at present	Can be incorporated	NFIB with DD/COMM as Vice-Chairman -- NIO's represent DCI	Through NIO's	Estimative by NIO's -- Current by CIA	Partly by NIO's but fragmented	CIA further downgraded
II	Through Chairman, Steering Group	By NIO's	As at present	Can be incorporated	NFIB, NIO's, and Steering Group	Through Steering Group	Estimative by line managers -- Current by CIA	By Steering Group	DD/CIA or DDI as Chairman of Steering Group downgrades CIA less than Option I
III	Through DD/CIA	By NIO's and DD/CIA	As at present	Can be incorporated	NFIB and NIO's	DD/CIA responsible to DCI for maintaining	Estimative and current by DD/CIA	By DD/CIA	DD/COMM as V-Chair NFIB is balanced by DD/CIA responsibility for production
IIIA	Through DDI	By NIO's and DDI	As at present	Can be incorporated	NFIB and NIO's	DDI responsible to DCI for maintaining	Estimative and current by DDI	By DDI	As in Option III but DDI responsible
IV	Through DDI	By DDI supported by NIO's	As at present but DDI manages	Can be incorporated	NFIB	As in Option IIIA	As in Option IIIA	By DDI	As in Option III but DDI responsible