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WASHINGTON, DC 20301-1000

JAN - 9 2026

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP  
COMMANDERS OF THE COMBATANT COMMANDS  
DEFENSE AGENCY AND DOW FIELD ACTIVITY DIRECTORS

SUBJECT: Transforming the Defense Innovation Ecosystem to Accelerate Warfighting Advantage

We must transform how the Department fights, buys, and builds. We have replaced legacy requirements processes with a system connecting operational problems directly to resources. We have created empowered Portfolio Acquisition Executives with real authority and accountability. We are executing an Artificial Intelligence (AI) Strategy to make this Department an AI-first warfighting force, embracing modular architectures and continuous test and evaluation that enable technology insertion at the speed of relevance.

Yet our innovation ecosystem remains a tangle of overlapping organizations and confused authority — workarounds built to bypass now-obsolete systems. Multiple organizations fight for the same mission. Industry faces a maze of competing front doors. Councils proliferate while accountability diffuses. This dysfunction stems from a linear model that gates progress through sequential stages as if technology matured on a predictable conveyor belt. That model never reflected reality and is now dangerous to mission accomplishment, fiscal responsibility, and the warfighter. Speed and adaptation win.

Today, we end the confusion. The intent and policy are simple: unify the innovation ecosystem led by a single Chief Technology Officer (CTO) tasked to modernize the Department and align innovation organizations around outcomes that matter for the warfighter. Effective immediately, the Defense Innovation Steering Group, the Defense Innovation Working Group, and the CTO Council are disestablished. In their place, the CTO will convene a CTO Action Group to assist him in making decisions, clear bureaucratic blockers, hold leaders accountable — and most importantly — quickly deliver new innovations to our warfighters. No more acquisition organizations treating innovation as someone else's job.

Innovation that Delivers Asymmetric Advantage. To assert technological advantage, we must organize to deliver innovation in three ways:

- Technology Innovation. In an environment where basic building blocks are increasingly accessible to adversaries, the Department must create differentiated capabilities and concepts that only we possess — capabilities that change what is possible. Much of this work must be protected — and, where appropriate, classified — to enhance our advantage. The Department must sustain investment in this defense-unique innovation where no scaled market exists. Basic research feeds this work and must remain open to the widest scientific exchange; technology innovation converts discovery and ideas into protected advantage.



OSD000220-26/CMD000266-26

- Product Innovation. The Department must harness the creativity and drive of American entrepreneurs and capital markets, who draw from abundant commercial and dual-use technology to create reliable, scalable products fielded in serial production. We must pivot from only asking companies to build to specification and must learn to once again adopt and scale external creations. American innovators are building and producing remarkable things. Our job is to adopt them faster than our adversaries can copy them.
- Operational Capability Innovation. The Department must combine technologies and weapons with tactics and doctrine into new ways of fighting that create asymmetric advantage. We must avoid a gizmo culture: no wonder-weapon by itself creates advantage. Skilled operators with strategic insight and tactical imagination must find disruptive applications of new and existing capabilities that deter, surprise, overmatch, and prevail.

Instead of aligning the innovation community around expected timelines for maturity, we will align them to what they deliver: differentiated technology, scalable products, or new ways of fighting. All of them will deliver with urgency. Some efforts will take years. We will sustain them where the outcome justifies perseverance — and terminate them where it does not.

Directed Actions:

Single, Empowered CTO. The Under Secretary of War for Research and Engineering (USW(R&E)) is the Department's sole CTO and will set technical direction for the entire Department; direct alignment of USW(R&E) efforts across all Department of War (DoW) components; lead the innovation ecosystem; and advise me on whether we are gaining advantage in the technology competition.

Streamlining Governance. The CTO Action Group (CAG), chaired by the USW(R&E), is established as the Department's senior forum for the innovation ecosystem. The CAG operates through standardized dashboards, highly prioritized topics, and management-by-exception, enabling the CTO to set the agenda, assess status, clear blockers, and make decisions at pace.

Integrated Ecosystem. Defense Innovation Unit (DIU) and Strategic Capabilities Office (SCO) succeed because they are small, fast, and focused. A DoW Field Activity designation locks in that model — clear missions, streamlined governance, durable authorities — while establishing commercial product innovation and operational capability innovation as core enterprise functions. To fully integrate the innovation environment led by the CTO, I direct the USW(R&E), in coordination with the Director of Administration and Management (DA&M), to immediately prepare and submit a package for my decision to certify to Congress that DIU and SCO will be established as DoW Field Activities, consistent with the requirements of section 8044 of the Department of Defense Appropriations Act, 2024. Provided the certification is made, DIU and SCO will be established as Field Activities pursuant to 10 U.S.C. § 191, and DA&M will take the appropriate actions to implement this establishment. The designation of the Director, SCO, as a separate Principal Staff Assistant (OSD009657-24, January 6, 2025) is hereby rescinded. The Directors of DIU and SCO will continue to exercise their relationships with the Secretary and Deputy Secretary and execute authorities provided to them by law.

In this new arrangement, DIU and SCO, together with the Defense Advanced Research Projects Agency (DARPA), the Chief Digital and Artificial Intelligence Office (CDAO), the Test Resource Management Center (TRMC), and the Office of Strategic Capital (OSC), will comprise the Department of War (DoW) innovation ecosystem led by the CTO.

R&E Organization. The CTO sets direction and priority; empowered execution organizations build and deliver with operational independence. The Assistant Secretaries of War (ASWs) develop implementation guidance and assess results across the Department. The ASW (Science and Technology) shall lead technology innovation and foundational science; the ASW(Critical Technologies), redesignated as ASW (Commercial Technologies) subject to Congressional notification, shall lead policy for product innovation through commercial adoption; and the ASW (Mission Capabilities) shall lead operational capability innovation.

Military Service Accountability. Innovation cannot be centralized — program offices own the last mile; the ecosystem equips them to deliver. Within 90 days, the Secretaries of the Military Departments will brief the CTO on Service Innovation Plans addressing how they organize their innovation communities around the three innovation outcomes established by this memorandum. Beginning with fiscal year (FY) 2028, each Portfolio Acquisition Executive (PAE) shall include an Innovation Insertion Increment (III) for rapid capability insertion. Service innovation leads shall participate in quarterly CAG reviews.

Industry Engagement. The Department will present industry with clear demand signals through two complementary channels: the Mission Engineering and Integration Activity (MEIA) will execute problem-driven engagement organized around the Joint Force’s top Operational Problems — telling industry what we are trying to do. DIU will execute product-driven engagement in support of its mission and CTO adoption priorities — helping PAEs and program offices better adopt what industry has built. Two channels replace fragmented outreach with a coherent system, and shall be conducted and maintained with the highest levels of acquisition, ethical, and fiscal integrity, including information security.

Implementation: USW(R&E), as the Department’s CTO, is the Office of Primary Responsibility for this memorandum. I direct that all Department charters, directives, manuals, and memoranda be revised to match this intent and policy.

Mission command governs this ecosystem: we set intent, set priorities, remove blockers, and hold leaders accountable for measurable outcomes. Every organization in this ecosystem will strive to deliver warfighting advantage faster than our adversaries can adapt.



Attachments:

1. Innovation Execution Organizations
2. Service Innovation Plans and Innovation Insertion Increment

## ATTACHMENT 1 — INNOVATION EXECUTION ORGANIZATIONS

Innovation Ecosystem Organizations. The Department of War (DoW) innovation ecosystem comprises six execution organizations, including the Defense Innovation Unit (DIU) and the Strategic Capabilities Office (SCO). The Defense Advanced Research Projects Agency (DARPA) creates and prevents strategic surprise through technology innovation – demonstrating what is possible before adversaries know it exists. The Chief Digital and Artificial Intelligence Office (CDAO) serves as a horizontal enabler for AI and data infrastructure across all three innovation outcomes. The DoW Test Resource Management Center (TRMC) manages test resources and develops test technology essential for continuous evaluation and adaptive capability delivery. The Office of Strategic Capital (OSC) aligns private capital to critical technology priorities and addresses gaps the commercial market has not filled. DARPA, TRMC, OSC, and CDAO shall continue to be aligned under the USW(R&E), the Department of War Chief Technology Officer (CTO).

Mission. DIU and SCO are execution organizations aligned with two of the three innovation outcomes established by this memorandum, and will execute with operational independence within the CTO-led ecosystem once fully established.

DIU's mission is commercial product innovation: accelerating adoption of commercial technology and externally developed products—connecting American entrepreneurs and commercial technology companies to Department needs at speed. DIU serves as the Department's center of excellence for commercial technology adoption and product transition, available to Portfolio Acquisition Executives and program offices across the Department. DIU is the Department's primary interface with the nontraditional and commercial ecosystem for rapid product adoption and transition.

SCO's mission is cross-Service operational capability innovation: identifying, developing, and fielding disruptive applications of existing systems and near-term technologies that create strategic effects. SCO combines technologies and weapons with tactics and concepts into new ways of fighting that deter, surprise, and overmatch. SCO remains operator-facing, classified, and quick-reaction—not a laboratory or policy office.

Supervision and Statutory Authorities. The USW(R&E) is designated as the official responsible for the overall supervision of DIU and SCO in accordance with 10 U.S.C. § 192 for administrative, resource, and integration matters – including strategy alignment, planning, programming, budgeting, and resource oversight.

DIU. USW(R&E)'s supervisory assignment operates subject to the DIU Director's authorities and relationships provided by law (10 U.S.C. § 4127). The DIU Director will coordinate with USW(R&E) on strategy, resource, and portfolio matters.

SCO. USW(R&E)'s supervisory assignment operates subject to the Deputy Secretary's authorities and relationships provided by law (Section 233 of the National Defense Authorization Act for Fiscal Year 2020 (Public Law 116-92); 10 U.S.C. § 132 note). The SCO Director will

coordinate with the Deputy Secretary and USW(R&E) on strategy, resource, and portfolio matters.

Workforce. To maintain organizational agility and attract top talent from the private sector and operational force, DIU and SCO shall adopt term-limited appointments to the maximum extent practicable and consistent with applicable law. The Directors, with CTO coordination, shall designate positions for term-limited appointment—prioritizing leadership, portfolio, and technical roles that benefit from rotation of operators, technologists, and private-sector talent.

Effective Date. USW(R&E)'s overall supervision of DIU and SCO takes effect immediately upon signature of this memorandum.

Annual Strategy and Portfolio Reviews. Within 180 days, and annually thereafter, the CTO, with the support of the most-aligned ASW, shall conduct a Strategy and Portfolio Review for each of DARPA, DIU, SCO, CDAO, TRMC, and OSC. These reviews ensure every organization in the ecosystem earns its place through demonstrated impact on warfighting advantage.

## ATTACHMENT 2 — SERVICE INNOVATION PLANS AND INNOVATION INSERTION INCREMENTS

### Service Innovation Plans

The Secretaries of the Military Departments' briefings to the USW(R&E) on Service Innovation Plans shall address:

- How the Military Department organizes, enhances, reduces overlap and duplication, and accelerates its innovation communities—laboratories, rapid capabilities offices, software factories, and experimentation units—around the three innovation outcomes;
- How acquisition portfolios are organized to rapidly onramp innovation, and activities connect to Service or Joint Operational Problems, and Mission Engineering and Integration Activity experimentation campaigns;
- Industry engagement approaches that align with Department priorities;
- Policy or legislative obstacles requiring resolution.

Service innovation organizations and relevant Portfolio Acquisition Executives (PAEs) shall participate in the CTO Action Group when agenda items affect Service portfolios, budgets, or transition decisions. Services are contributors to the innovation ecosystem, not bystanders.

### Innovation Insertion Increment

Beginning with the FY2028 budget submission, each PAE shall identify and include an Innovation Insertion Increment (III)—a portfolio-managed funding allocation for rapid insertion of capabilities into systems, consistent with applicable appropriations law.

Increments shall be:

- Sized commensurate with portfolio scale, innovation opportunities, and modernization needs;
- Used for innovation insertion, capability insertion, software increments, spiral upgrades, modular component swaps, and other insertions consistent with Modular Open System Architecture and continuous test and evaluation practices;
- Visible in budget submissions and tracked through CTO Action Group reviews.

### Accountability

Service innovation alignment, III establishment, and capability insertion learnings or progress will be reviewed in quarterly CAG meetings; shortfalls will generate documented follow-up. The CTO shall provide quarterly summaries to the Deputy Secretary highlighting

learnings, progress, transition opportunities, and barriers requiring decision. CAG provides cross-portfolio transparency on innovation outcomes and transition decisions. PAE execution accountability flows through Service Acquisition Executive (SAE) governance and Acquisition Acceleration Reviews per the November 7, 2025 acquisition transformation directive.