McKinsey's Buried Pentagon Report

Idea In Short

An advisory panel including McKinsey consultants identified a clear path to roughly $125 billion in savings for a large government bureaucracy over five years. The report itself is a nine-step masterclass in how cost-reduction presentations are built, baseline, benchmark, range, timeline. Whether it gets acted on is a separate story entirely.

An Explosive Headline

A major newspaper once ran a startling headline about a government body burying evidence of tens of billions of dollars in bureaucratic waste. The underlying source was an internal report from a federal advisory panel combining corporate executives and outside consultants, which identified a clear path to roughly 125 billion dollars in savings over five years, a finding reportedly shelved quietly because of how embarrassing it looked politically.1 For anyone skeptical of large bureaucracies, the story lands as confirmation of a familiar suspicion, and large government bureaucracies are hardly unique in generating that kind of waste.

The Underlying Report

The full analysis, a substantial document, followed a familiar cost-reduction structure: establish a baseline, compare it against best-practice benchmarks, explain the resulting gap, estimate potential savings and lay out how to actually capture them. The report was arguably light on granular specifics for a document of its size, though a larger technical appendix likely existed elsewhere.

Step One: Establish a Baseline

The analysis established a spending and headcount baseline across the six business functions supporting the organization, work typically called SG&A in the corporate world, running at roughly 134 billion dollars annually and employing around 1 million people.2

Without a clear, defensible baseline, no savings estimate that follows can be trusted.

Step Two: Show the Benchmark

The report benchmarked the organization's productivity against gains observed across other industries, making the case that a large bureaucracy should also be capable of doing more with less by adopting demonstrated best practices from elsewhere.

Step Three: Propose a Savings Rate

The analysis proposed a 7 percent productivity improvement rate, explicitly framed as a business-as-usual level of savings rather than an aggressive stretch target, a deliberately conservative anchor meant to make the recommendation feel achievable rather than fanciful.

Step Four: Give a Range, Not a Point Estimate

Experienced consultants know that a single point estimate invites false confidence, so the analysis presented a range of potential outcomes instead, functioning as informal sensitivity analysis and giving the client a built-in safety margin for managing expectations regardless of how the numbers narrowed in practice.3

Step Five: Sell the Benefits

Cutting spending of this scale is never a simple undertaking, and the report worked to frame the savings in terms of what they could fund instead, translating an abstract billions-of-dollars figure into a concrete opportunity cost that a decision-maker could actually weigh.

Steps Six Through Nine: Data, Timeline, Success Factors, Precedent

The remaining structure follows a predictable and effective template: show data repeatedly to substantiate every claim, provide a concrete implementation timeline with clear accountability, honestly outline the organizational success factors required, since larger organizations carry more inertia by default, and provide case study precedent, since decision-makers consistently ask where else a similar approach has actually worked before committing.

Reading Decks Is Its Own Skill

Studying decks from major consulting firms, regardless of subject matter, is genuinely useful practice: how was an ambiguous problem structured, how was data marshaled to support the argument, how were slide titles and graphics used to carry the narrative, and where were the logical gaps a skeptical reader might probe.

A Note on Sourcing and Access

Reports of this kind rarely circulate widely on their own; they typically surface through investigative journalism, freedom-of-information requests or leaks, which shapes how the public ultimately encounters the underlying analysis. That distribution pattern is itself worth noticing: a technically strong recommendation with real public interest can sit unread for years absent some external pressure that forces it into daylight.

What a Good Reader Takes Away

Beyond the specific dollar figure, the report functions as a genuinely reusable teaching example. Anyone building their own cost-reduction case can borrow the exact sequencing, baseline before benchmark, benchmark before savings rate, savings rate before range, and use it as a checklist against their own draft, catching the common failure of leading with a big number before the audience has any grounding in how it was derived.

Why Recommendations Get Shelved

The harder, more interesting question the report itself cannot answer is why an organization would decline to act on a well-structured, seemingly credible savings recommendation at all. That gap between analytical quality and organizational follow-through is rarely about the numbers being wrong. It is almost always a story about incentives, political will and institutional inertia, the exact success factors a good cost-reduction deck flags honestly in step eight and that leadership then has to actually supply.

- 1Government Waste
- 2SG&A

- 3Sensitivity Analysis

Summary

The nine-step structure, baseline, benchmark, savings rate, range, benefits, data, timeline, success factors, case studies, is the reusable skeleton behind almost any cost-reduction presentation. Whether $125 billion in identified savings ever gets captured is a leadership and change-management question, not an analytical one.