

# Minutes of Quarterly Meeting Board Meeting 10 February 2005

## Defense Business Board

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The Quarterly Meeting of the Defense Business Board (DBB) began at 0745 on 10 February 2005, in Room 3E-869 of the Pentagon. Mr. Gus Pagonis, Chairman of the Board, commenced the session and welcomed the Board. Ms. Kelly Van Niman, Deputy Director, reviewed the agenda and informed the Board that Dr. Paul Wolfowitz would meet them at 0800 to discuss the Management Agenda Final Report and 2005 DBB Task Group Overview.

The Board's Public Session began at 0845 in Room 2C-554 with a review of the meeting with Dr. Wolfowitz. Next, Mr. Tom Modly and Mr. Paul Brinkley discussed the Business Management Modernization Program. The Board then met with Dr. Thomas Hone and Colonel Witt of the Office of Force Transformation to discuss the Strategic Transformation Appraisal for 2004. This was followed by progress updates of:

- MID 917
- Defense Fellows Update
- ROTC at Harvard and Yale
- Audit Strategy for USMC
- NSPS

At 1130, Mr. Jeff Green conducted the annual ethics briefing. At 1200, the Board met for lunch with Navy Secretary Gordon England and Mr. Michael Wynne, Acting USD (AT&L). Following lunch, the Board convened their Task Groups with their Defense Department liaisons. The proceedings concluded at 1500.

The minutes below capture the general discussions during the meeting.

### Working Session

- ❖ Welcome, Review of Agenda → Mr. Gus Pagonis, Chairman and Ms. Kelly Van Niman, Deputy Director
  - The DBB needs to set tentative dates and confirm those dates 30 days out. The DBB needs to be flexible so it can meet with the Secretary of Defense. Tuesdays, Wednesdays and Thursdays seem to work best for DoD leadership and the DBB. Below is the list of tentative dates for future DBB meetings:
    - Friday, May 6, 2005
    - Thursday, July 28, 2005
    - Thursday, November 17, 2005
    - Thursday, February 16, 2006
    - Thursday, May 18, 2006

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- ❖ Brief After Action Review regarding the DBB's meeting with the Deputy Secretary of Defense:
  - Chief Operations Officer / Chief Management Officer
    - The Board has been tasked to look at the necessity of a COO/CMO position in the Department of Defense. The DBB can look at the genesis of AT&L and use that as a possible model for the future. There is a belief that Congress might legislate this to occur, so that makes the need for the DBB's analysis timely. There is also a question of whether a separate Secretary for the Defense Agencies reporting to a CMO needs to be stood up. GAO provided their High Risk Report to assist the Board in their COO/CMO discussion.
    - \*\* Chairman's Conclusion/Next Steps → The DBB will also provide input regarding the possible role and functions of a CMO-like position in the Pentagon. Dr. Dov Zakheim will look at viability of a new Secretary for the Defense Agencies. The Board will first look at what has already been done. Mr. Bob Hale will put the history together. Mr. Michael Bayer, Mr. James Kimsey, Mr. Arnold Punaro and Dr. Dov Zakheim will support this.
  - Supply Chain Management
    - Review of the Department of Defense supply chain and make business process recommendations as a follow on to the TRANSCOM – DLA study done a year and a half ago by the DBB, in which it recommended a head supply chain tsar.
    - \*\*Chairman's Conclusion/Next Steps → The Chairman will make recommendations on the supply chain process improvements and provide details. Mr. Henry Dreifus, Mr. Arnold Punaro and Mr. Herb Shear will provide support.
  - National Security Personnel System
    - \*\* Chairman's Conclusion/Next Steps → Mr. Fred Cook, Mr. Bill Phillips and Ms. Madelyn Jennings will meet with NSPS and have them brief the task group and the Board will provide recommendations on manageable next steps for the implementation of NSPS. NSPS rules were being released on 2/10.
  - Report on Utilization of Iraqi-Americans
    - \*\* Chairman's Conclusion/Next Steps → Mr. Jim Haveman will lead the Task Group to provide recommendations to the Deputy on how to better recruit native speakers of foreign languages to support future operations.
  - Vertical vs. Horizontal Organization Management
    - The Board needs to explain what looking horizontally at an organization exactly means. Transformation is essentially breaking stove pipes. The Board needs to develop a primer on vertical vs. horizontal organization management for the senior leaders in DoD.
    - \*\* Chairman's Conclusion/Next Steps → Mr. Michael Bayer and Mr. Denis Bovin will write the two-page primer on how to think horizontally and provide that to Dr. Wolfowitz.

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- ❖ Tasking Updates
- ❖ Mr. Ken Krieg provided an update regarding Pentagon Reorganization and the Quadrennial Defense Review (QDR)
  - Pentagon Reorganization: Possibility of a CMO, COO and/or CIO and other issues will be addressed and options will be presented to the Secretary of Defense. There is no perfect organization. Rearranging the boxes will not deliver results.
  - Quadrennial Defense Review (QDR): Quadrennial Defense Review is every four years the Department of Defense does a comprehensive review of strategy throughout the Department. Every QDR has been different. There usually is a bottom up review as a precursor. What capabilities does the DoD want in the future? Mr. Krieg will lead the business process part of the Quadrennial Defense Review. J4 will support. The essential elements of the QDR include:
    - Improve data
    - Control cost of business
    - Wartime operations
  - The DoD needs to report to SLRG in 6 or 7 weeks. Process flow philosophy is critical. Horizontal views are critical. Quadrennial Defense Review report date is with next year's budget. We want to move to a rolling Quadrennial Defense Review. GAO is putting out a report on the reformation of the Department of Defense. Fifty-three percent of compensation in the Defense Department is in the form of benefits and deferred benefits. Defense compensation reform will be part of the Quadrennial Defense Review. GAO would like to get the DBB's reaction to what they are proposing.
    - PPBE needs to be revamped and the Department needs to move from chunks of inputs to an integrated approach. The Department needs to focus on data flows and horizontal process thinking. Alignment of accountability, responsibility and authority is confused by statute and made worse by how the Department implements it. Joint programs are the hardest thing for the Department of Defense to do. We don't have the structure for a consumer driven market place.
  - Chairman's Conclusion/Next Steps → Mr. Ken Krieg will provide Quadrennial Defense Review input and Mr. Frank Leaming will provide the staff book with the management agenda report. GAO will provide information on their process to provide collaborative solutions and will circulate a few samples of their output documents.

## Old Business (Public Session)

- ❖ The Board reviewed the draft of the Management Agenda Report and discussed possible changes.
  - \*\* Chairman's Conclusion/Next Steps → It was suggested that examples of metrics be added. Mr. Denis Bovin, Ms. Kelly Van Niman, Mr. Jerry Lindauer will work on this.

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## Working Session

- ❖ Task Group Progress Updates
  - ROTC
    - ROTC at high-caliber universities is happening. The goal is not trying to get more but different and better schools involved. Working within the Services will lead to success. Leadership is the most important ingredient to success of the Department of Defense. The focus should shift to different universities. The Department is operating in a resource-constrained environment. Service Secretaries need to be engaged to gain traction.
    - \*\* Chairman's Conclusion/Next Steps → Mr. Fred Cook and Mr. Bill Phillips to contact Mr. Gordon England and Dr. David Chu to discuss ROTC at high-caliber universities. Ms. Barbara Barrett will check with Stanford.
  - Financial Audit
    - DoD is taking the Board's advice of focusing on achieving a clean opinion on one Service rather than trying to get a clean opinion for the whole Department at the same time. Focus on a Department-wide clean audit immediately was not feasible or realistic, according to the Board's recommendation. Therefore, DoD is trying to get the USMC a clean audit. The Board will continue to monitor the financial audit process.
    - Chairman's Conclusion/Next Steps → Mr. Tom Modly will update the Board.

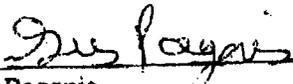
## New Business

- ❖ The Board discussed its 2005 Task Groups. Below are details about each:
  - HR Performance-Based Management
    - Chairman's Conclusion/Next Steps → This task was assigned from Mr. Charlie Abell and Ms. Gail McGinn. Ms. Madelyn Jennings, Mr. John Madigan, Mr. Herb Shear, Mr. Bill Phillips and Mr. Jerry Lindauer will support Mr. Fred Cook on this Task Group. The focus of the Task Group will be on the civilian performance-based management system.
  - BMMP
    - Chairman's Conclusion/Next Steps → Mr. Ed McVaney will chair this Task Group. Mr. Tom Modly will be the DoD liaison for this task. The DBB will report initial recommendations at next DBB meeting (May 6). Mr. Neil Albert, Mr. Mort Zuckerman and Mr. Bob Hale will be the members on this Task Group.
  - Health Care
    - Chairman's Conclusion/Next Steps → This Task Group will need to be assembled at a later date, as the Board will focus on the other task groups at the present time.

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- Business Practice Improvements and the Transformation Roadmaps
  - Chairman's Conclusion/Next Steps → Mr. Arnold Punaro will chair this Task Group. Mr. Jim Kimsey, Mr. Denis Bovin, Ms. Barbara Barrett, Dr. Dov Zakheim and Mr. Henry Dreifus will support

Certified by:

  
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Gus Pagonis  
Chairman, Defense Business Board

\*\* Denotes Action Item

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