



Meeting Notes

The Defense Business Board (DBB) held its quarterly meeting on July 17, 2008 at the Pentagon.

DBB Members present:

Michael Bayer (Chairman)
Fred Cook (Vice Chairman)
Denis Bovin
Madelyn Jennings
Jim Haveman
Dennis Hightower
Mel Immergut
Joe Wright
Arnold Punaro
Philip Odeen
Bill Phillips
Mark Ronald
Atul Vashistha

Others present for all or portions of the meeting:

Bill Schneider, Defense Science Board
Gene Dodaro, Comptroller General of the United States
Chris Williams, Defense Policy Board

DBB Staff in attendance:

Phyllis Ferguson, Executive Director
Kelly Van Niman, Deputy Director
Col Marks, DBB Military Assistant
COL Doxey, DBB Military Assistant
Stephan Smith, DBB Consultant

PUBLIC SESSION

The Defense Business Board's (DBB) quarterly meeting began at 9:00 AM at the Pentagon with a Public Session. Michael Bayer, the DBB's Chairman, began the session by providing opening remarks and introducing the public session attendees, who were:

- Michael Gist, Defense Properties
- Martin Nass, Defense Properties
- John Bennett, Defense News
- Stephan Springer, Inside Defense
- Tom Lavery, Director, Revolving Funds, Comptroller, DoD

During the Public Session, DBB Task Groups provided briefings on the following topics:

- Strategic Relationship Model between the Department of Defense and the Industrial Base
- Strengthening DoD Enterprise Governance

Mr. Denis Bovin and Mr. Phil Odeen presented the draft final report for the Task Group on a Strategic Relationship Model between the Department of Defense and the Industrial Base. This Task Group was supported by representatives from the Defense Science Board. The Task Group was asked to develop recommendations for improving the strategic relationship between the Department of Defense (DoD) and its manufacturer and services suppliers. The recommendations were to address the alignment of the Department's and suppliers' objectives as well as ways to improve communication with the defense industrial base. To complete this effort, the Task Group interviewed executives at large-, mid-, and small-sized defense industrial base entities, current and former members of the DoD acquisition and technology community, and legal experts within the DoD (e.g., former DoD General Counsel).

The group operated from the premise that the strategic objectives and relationships between the DoD and its industrial and services suppliers are not well aligned or mutually supportive, which is impeding DoD's ability to optimally support the war fighter. The group's premise also noted that early and frequent communications will lead to improved costs, more realistic and achievable schedules, and enhanced technical performance on programs. In addition, effective dialogue starting at the requirements setting process and continuing through the entire acquisition life-cycle would improve these relationships. This dialogue would enable greater access to innovation and advanced technology, and will lead to industry research and development (R&D) and capital investments that are better aligned with the Department's and war fighter's future needs. The group noted that better alignment of strategic objectives and frequent communications with the defense industrial base will be even more critical as DoD approaches periods of constrained resources.

The Task Group observed that inadequate dialogue exists between DoD's senior leadership and industry. There is no clearly articulated view of the desired customer/supplier relationship, including overall strategy and goals, war fighter needs, and priorities. The lack of dialogue is also a result of overly narrow legal interpretations by DoD legal counsel relating to allowable communications between government and industry representatives, which, in recent years, has undermined efforts to build open, constructive relationships.

The current relationships that do exist between DoD and the defense industrial base are typically with individual companies and the relationships focus on problem programs. There is no existing forum to discuss future needs and priorities, and most dialogue is limited to large manufacturing suppliers. While DoD does have meetings and forums with some trade associations to outline new policies and practices, there seems to be a lack of a clear and robust feedback process from these sessions.

The DBB Task Group noted that DoD historically had communications models that were more robust and effective. For example, the Secretary and Deputy Secretary of Defense held semi-annual meetings with key defense industry leaders to provide policy direction and guidance on key issues (e.g., consolidations and the outlook for future funding). Also, there have been occasions when the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) would lead regular meetings related to major programs with key DoD leaders (e.g., other Under Secretaries of Defense, Service leadership, etc.) and providers of major systems and platforms (e.g., Acquisition Category-1 (ACAT-1)). This dialogue led to improved mutual understanding and improvements on costs, schedule and performance. Mr. Bovin and Mr. Odeen did note that there are some examples of this model currently, but more could be done in this area.

One significant obstacle to enhanced communications with the defense industrial base is the recent strict interpretation of laws and regulations pertaining to government and private sector interactions. Recent decisions made by Generals Counsel have created a risk adverse environment in which government officials are apprehensive to interact with industry.

In addition, budget cuts and the increasing number of retirements have reduced the number, quality, and effectiveness of the DoD civilian acquisition workforce and led to a greater reliance on contractors, which has reduced the Department's ability to lead and manage the acquisition life-cycle and created a risk-averse culture that undermines effective communication. Thus, the Task Group concluded that there is an even greater and more immediate burden on senior leadership to build strong interactive relations with industry.

The DBB members also highlighted that the Department does not have an adequate understanding of how to contract for services, though these contracts account for a large and increasing percentage of all acquisition dollars. Also, despite the increasing role of contractors supporting military operations, support services contractors are not involved in the Combatant Commands' (COCOM) contingency planning or planning for actual operations. The limited and inconsistent role by industry in shaping military capabilities and requirements and increasingly global nature of DoD's supplier base have also prevented DoD from having a more robust strategic relationship with industry.

The Task Group recommended that DoD's senior leadership establish and articulate a clear strategy and action plan. To facilitate open and constructive discussions with industry, the Office of the DoD General Counsel should establish clear and flexible guidance. The strategy and action plan should then be implemented by the Secretary and/or Deputy Secretary of Defense via quarterly meetings with seniors leaders from the defense industrial base, to include small-, mid-, and large-size companies as well as other senior civilian and military DoD leaders. Service Chiefs and Under Secretaries (especially for AT&L) should also meet with industry to articulate research and development and capability needs.

The Task Group also recommended that the COCOMs and Joint Requirements Oversight Council (JROC) strengthen communications with the global supplier base given DoD's more globally diverse supply chain. COCOMs and the JROC should meet with industry to provide a better understanding of operational planning and evolving tactical doctrine, which would focus industry on technologies and capabilities that could significantly enhance combat capabilities. In addition, COCOMs should provide industry a better understanding of latest technical and operational needs of the war fighter, as relayed by military leaders returning from operational commands. COCOMs should also encourage industry input into the early stages of the capabilities requirements process to avoid unrealistic program goals that result later in major cost/schedule problems.

The Board agreed with the Task Group recommendations and suggested adding another recommendation to address the report's observation that improvements were needed to "revolving door" legislation and/or regulations to encourage the movement of experienced personnel between government and industry.

At 9:50 AM the DBB approved the Task Group's report as amended. The final report of this Task Group topic will be posted to the DBB website.

Mr. Chris Williams from the Defense Policy Board (DPB) presented the draft final report of the Task Group on Strengthening DoD Enterprise Governance. The Task Group, supported by Members of the DPB, was asked to analyze the Department's senior-level governance models that could help the Department align strategy and outcomes and create a decision framework that enables strategic choices at the senior governance levels of the Departments. The Task Group also was asked to consider alternative frameworks that could result in strategic choices being made at the senior level and that would reduce cost and improve efficiencies. Finally, the Task Group was asked to make recommendations to strengthen and institutionalize the responsibilities and authorities of the senior governance entities

The Task Group interviewed several current and former military and civilian DoD leaders and reviewed the operations of four governance forums within DoD—the Defense Senior Leadership Conference (DSLC), Senior Leader Review Group (SLRG), Deputy's Advisory Working Group (DAWG), and Joint Requirements Oversight Council (JROC). Because the JROC is a statutory forum, the Task Group focused on the three discretionary forums: DSLC, SLRG and DAWG. They also analyzed relevant studies and academic publications.

Mr. Williams explained several observations by the Task Group beginning with the fact that DoD does not have a standard "one-size-fits-all" model for enterprise-level governance. Secretaries and Deputy Secretaries have constructed governance forums that reflect their personal management styles and issue preferences, along with those of the subordinate leaders they bring with them. This approach reflects best practices from the private sector. The three existing enterprise governance forums (SLRG,

DSLC, and DAWG) have different purposes and objectives but generally meet the needs of the current leadership.

Mr. Williams noted that the DSLC and SLRG are useful forums for sharing the Secretary's strategic direction and intent and facilitating high-level policy and strategy discussions. The DAWG is effective in communicating the senior leadership's direction and making operational-level decisions that implement that direction. However, there is a need for better coordination between and among the senior-level enterprise governance forums. Also, there is insufficient emphasis and attention within the three forums (or elsewhere) on assessing implementation of and compliance with strategic directions and prior decisions. In May 2008, the Department codified into DoD policy the existence of the three primary governance forums, the DAWG, the DSLC and SLRG by issuing DoD Directive 5105.79 "DoD Senior Governance Councils".

The Task Group recommended that leadership should (a) ensure that enterprise-level governance forums adopt and adhere to appropriate private sector "best practices" and (b) devote more time and attention to assess performance, implementation, and follow-up. The Task Group also recommended that the Secretary and/or Deputy Secretary:

- Consider establishing a small staff-support function at the Secretary (or Deputy Secretary) level to coordinate agendas and meeting materials of the three enterprise governance forums to minimize potential biases in framing of issues;
- Utilize the SLRG, DSLC, and DAWG for enterprise governance during the transition to the next Presidential Administration;
- Brief the respective campaigns/transition teams on the current enterprise governance forums; and
- Recommend that the incoming leadership examine these forums and decide what governance constructs best suits their personal management styles and that of their incoming team.

The Board had a discussion on the importance of defining decision rights for governance forums in complex organizations like DoD, and recommended adding mention of this in the Board's recommendation to define roles and responsibilities. The Board also felt that because of the general lack of performance accountability in DoD, that a specific recommendation should be added to include a review of implementation of prior decisions on the agendas of senior-level governance forums.

The DBB approved the Task Group's report as amended. The final report of this Task Group topic will be posted to the DBB website. The Public Session concluded at 10:15 AM.

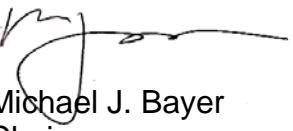
ADMINISTRATIVE SESSION

For the rest of the day, the DBB held an Administrative Session to receive updates on ongoing Task Groups, and plan activities for future Tasks. The Board also received a briefing on Islam and had a discussion with the Chairman of the Joint Chiefs of Staff, ADM Mike Mullen, during which the Chairman shared his thoughts on the near- and long-term priorities for the Department of Defense.

ADJOURNMENT

Mr. Bayer adjourned the DBB's July 17, 2008 quarterly meeting at 3:15 PM.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Michael J. Bayer
Chairman
Defense Business Board