

Minutes: Defense Business Practices Implementation Board
October 29, 2002

Attendees:

Refer to Spreadsheet

Minutes Management Information Working Group (Mr. Neil Albert) w/Mr. Ken Krieg -
Dashboard Metrics:

- ❖ 08:17 Mr. Tom Modly kicked off the meeting and talked about the agenda starting with the validation of Mr. Ken Krieg's effort for the November session.
 - Mr. Pagonis to kick off the 0900 public session
 - Mr. Krieg to talk about agency review which will be revisited in November
 - Mr. Pagonis will preside at lunch.
 - Afternoon, FMMP work with Ms. Catherine Santana will be discussed. There will also be some architecture discussion.
 - Book is organized chronologically, split out by tab
 - Tab 5, there is a formal response to tasks 1-4 and show his support and has laid out an alternative approach.
- ❖ Mr. Neil Albert introduced the dashboard metrics discussion
- ❖ Mr. Ken Krieg provided a status update on what he is working on
 - The SEC has gone through the draft measures to determine the questions being driven at and the metrics driving that behavior
 - Focusing on the 15-16 things we want to measure
 - The Secretary also established top 10 priorities and that needed to be aligned with
 - Cross functional teams have been assembled so there is a deeper understanding of the issues
 - Each team is 7 or 8 people with Subject Matter Experts supplementing that group.
 - Kept teams relatively small and they need to frame issues not come to consensus
 - LMI is working with them in this effort
 - The 4 major questions are quality (workforce), employee satisfaction (retention), are we managing at a reasonable cost, what are we doing to shape the workforce of the future?
 - High quality enlisted recruits
 - NCO skill grade mix
 - Legal definition is 400 days not sleeping in your bed over a 2 year period and that varies by service
 - Workforce satisfaction → definitions are becoming clearer. Looking at both spouses and the individual
 - Quality of life indicators → there are 8 to 10 of them, quality of children's education, times we make a move over time, housing, medical comes later
 - There are more measures than the Secretary needs to look at
 - How do you roll them up in an interesting way? As not to overload executives?
 - Do you build an index?
 - Do you take a few of them?
 - You need a feedback mechanism
 - Mr. Phil Merrill → our company started doing surveys with simple questions

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- Do you like the atmosphere?
- Do you like your job?
- It has changed the atmosphere of the entire firm
- They are not complex questions but it really gives invaluable insight on the thoughts of folks
- Needs to be confidential and needs to go to more than just the department managers
- You need to engage folks and it's very powerful
- Mr. Ken Krieg we rotate people so rapidly that continuity is a challenge
- Notion of the survey is not to have a lot of questions but to be focused
- Mr. Travis Engen → Dupont has a safety management system where they have 12 measures that drive safety and this has made significant improvements in safety that are outcome based measures.
- Mr. Ken Krieg indicated it is difficult getting to output type measures but there is an effort to try to get there.
- Engen: It's the environment. You need to care enough about safety to care about folks in other areas
- You need to get visibility to senior folks the total cost of an individual. That means including benefits. How are your costs trending over time
- Mr. Arnold Punaro → are you going to include subsidized commissaries and other military benefits.
- 2 things (how are folks are collecting disability and a pension?)
 - what's the discounted present value on disability
 - what's the prevailing practice for this
- Many police and fire retire on disability
- Many flag officers retire on disability
- Need to track this against the private sector
- Need to benchmark against this.
- Sometimes it's hard to find a private sector equivalent
- Healthcare costs are going through the roof!
- It's a growing portion
- Entitlements is growing very rapidly at the expense of discretionary spending
- Do you know what is non-core? How do you get rid of it?
- What are the skill sets you need to develop for the things you want to keep
- Activity is not an output measure but did you do it
- Temporary is keep in place until you have something better
- Institutional risk → where are we driving process excellence
 - Managing overhead
 - Realign support structure to supporting the Warfighter
- Acquisition process
- Rumsfeld called for a 50% reduction in cycle time
- Where do you start measuring to judge that improvement?
- Would like to focus on overall performance and not at the program level
- New BRAC process coming up in 2005
- Do we have a common way to think about the health of infrastructure?
 - No, this is part of what we are working on

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- Realigning support to the Warfighter
 - Defense Agency Reorganization
 - Lifecycle cost and customer wait time
- Mr. Neil Albert → need to see how measures help get you where you need to go
- Not sure how to optimize Intelligence
- Are we prepared to fight in a networked world?
 - How to you recruit/manage in that world
 - What are transformational capabilities
- Measure readiness now on a sword system
 - Are they ready for their likely next mission
 - Mr. Phil Merrill → They want differential readiness measures
 - Mr. Arnold Punaro → why do have the same readiness requirement for units that have very different missions (there are some military and political reasons for this)
 - What does management lose sleep over? That's where we need to focus in the next 18 months
- This will go public in February of next year at the Annual Defense Report
- There is some good scorecard work happening from the bottom up
- Mr. Neil Albert → need to focus on institutional and force management metrics and how we can look at things differently. We can also use help on how we can roll of this up at an aggregate level
- Need a phased approach to try to institutionalize this within the next year and half
- Will be tied to GIPR
- Mr. Rumsfeld has seen a first round and Mr. Ken Krieg will take back to him in the next week or so. He is highly motivated.
- You need to focus on 2 or 3 things to really get them done

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Public Deliberation: Human Resources Task Group Report (Fred Cook)

- ❖ 0905 Public Session kicked off by Mr. Gus Pagonis/introduction of Fred Cook
 - Mr. Fred Cook introduced the HR subcommittee report to the DBB
 - TASK 2: Mr. Bill Phillips talked about the challenges about the CIVPERS system
 - Oracle based system
 - It provides a web-based tool in a self-service format
 - Board was asked to give suggestions to improve the system
 - Develop a clear vision and objectives of the system
 - Need to establish real governance (one point responsible for code) needed a clear decision maker
 - Needed to develop a business case that fit the new requirements
 - Needed to establish a formal change management process
 - Used best practices from Ford and other companies
 - TASK 3: Mr. Fred Cook addressed the high attrition rate of first term enlisted personnel
 - What could be done to reduce the attrition rate
 - How to screen for better candidates?
 - Looked at Sears, Waste Management, and other companies to look at their hiring practices and how they retain and get better folks
 - Need a bigger applicant pool, in order to be more selective
 - Best in class companies do a lot of the testing on-line to reduce costs
 - Did not oversell the job because that doesn't set realistic expectations
 - Web-based applications
 - Realistic appraisals
 - Contract with independent firms to develop behavioral test
 - Mr. Neil Albert → did every organization do this testing?
 - Companies did that to varying degrees
 - The tests need to meet EEO requirements
 - Third party companies develop better tests because they are up on market trends
 - Mr. Phil Merrill → Are you assuming that everyone who is hauling trash can apply on-line?
 - Create a challenge where folks want to feel like it's a reward when you get through to another level
 - The military as an employment option is driven by the economy
 - Screen for desired characteristics
 - Some do referral bonuses
 - The military doesn't have a hard attrition rate goal but they want folks to finish their three year term of their contract
 - TASK 4 : Prepared by Admiral Johnson but presented by Mr. Fred Cook
 - Looking for successful corporate role models where companies improve the school system in that area so as to promote retention

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- Admiral Johnson has extensive experience with BU with the Chelsea School System in Boston
 - Over a ten year period it has greatly improved through a partnership with BU
 - Examining whether this model can work for the military
 - This program is still in process
- TASK 1: presented by Mr. Fred Cook
 - There are some 600,000 civilian employees in the department from GS1 to SES ranks
 - Team was Steve Friedman, Bill Phillips, Frank Sullivan, and Fred Cook -- Gail McGinn was the DoD liaison
 - Great civilian leaders will help retain folks
 - Decided to focus on the top SES folks
 - _ of SES's in government are in the DoD
 - Level 1 through 6 and there are no pay bands within grade
 - Nearly half of folks are in ES4
 - 7,700 GS 15s
 - Eight recommendation areas
 - Perform a talent inventory of existing SES personnel from 0 to 4
 - Sustained performance
 - Retention
 - Expected near term achievements
 - More responsibility
 - Management skills or Technical Proficiencies
 - Rated an O, A, B, C
 - Perform talent inventory on the Os and As and work with a private firm to do a retention risk,
 - Categorize jobs as mission critical or mission support
 - Best folks should be in mission critical spots and given pay at one grade higher
 - These are very sensitive subjects and need to be confidential to the individual
 - 3 proactively manage and expedite recruitment → ID all SESers eligible to retire in 2 years
 - rate them as critical, important to retain and okay to retire
 - Talent acquisition section to help recruit high level folks to cut cycle time down by 50%
 - Top 3 ES ranks are all paid the same and they are inadequate because capped by Congress
 - Raise the bar for performance and the opportunities for compensation
 - Both alternatives include a task force to determine the details of implementation
 - Team would be responsible to the SEC who would meet as the Human Capital Review board + 3 Undersecretaries as full voting members on this project

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- The taskforce would be headed by SES Subject Matter Expert who will report to Ginger Groeber
 - The task team would include members of each of the military branches and OSD members
 - Dr. Chu would present the recommendations
 - Alternative 2 would have wider representation
 - It would report to Dr. Chu and Mr. Rumsfeld and would co-manage
 - SES members do not feel like their careers are centrally managed
 - Functional management that you have dotted line authority to the folks in the field
 - → Question: What if someone is a poor performer?
 - Are there any legislative constraints?
 - Due process must be considered
 - Recommend that for poor performers a separation deal can be structured
 - Gail McGinn → P&R reviewing; will comment on what they can support, what needs legislation to complete, etc.
 - David Walker → need to include SESers as part of the process--should be on the committee
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- Alternative 2 which reports directly to Dr. Chu was supported by show of hands (4 in favor)
 - General concern that recommendations on pay are a great idea but would be very difficult to implement
 - Recommend breakout of SESers into 6 levels each with different pay
 - Mr. Gus Pagonis → Position inventory classification will be a very difficult task (mission critical vs. mission support)
 - Mr. David Walker → Program should be packaged as a “Beta” so it is possible to test the concepts
 - Look at total compensation not just salary
 - Retention is based on base pay
 - Need a human capital strategy, that is critical to success
 - There may be some legislative impacts
 - Should look at having a base salary with a variable for a specific position
 - What is mission critical? This committee can help to define exactly what that means. It’s recommended that this definition stays confidential

Public Deliberation: Financial Indicators Task Force Matrix (Bill Phillips)

- ❖ Mr. Neil Albert asked to use financial metrics to help DoD manage itself
 - How can management most effectively use these
 - Intent is to identify what we should be striving for
 - Next steps
 - Work with Mike and his team and some of you to get your opinions
 - Recommendations will be submitted to Ms. Jo Ann Boutelle and Dr. Zakheim
 - Metric, Rationale and Calculation

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- Mr. Gus Pagonis → Are you able to collect the data necessary to make this metrics?
- Limited in some of the quality of data available
- Some trend lines may start off unattractive
- What are the right things to measure and how do you get to that?
- Can't value the military assets in this sense
 - This is a philosophical discussion that we can talk about later
- There things happening in November and December that will flesh this out
- He will have more for next meeting
- These are intended for Dr. Zakheim and Mr. Rumsfeld
- Definitions will be provided to give clarity between now and the next meeting

Agency Review Report (Ken Krieg)

- ❖ Mr. Krieg → Presentation is one that was given to the SEC
 - Open to new ways to look at the organization
 - Took a team of individuals to look at 9 of the Defense wide agencies
 - Particularly dealing with business issues
 - Not intelligence, not R&D
 - Looked at core competencies, their transformation roadmaps
 - Looked at change alternatives
 - Grouped by the processes that they tap into
 - 2/3 years ago went through an intense review and are still in the process of making changes
 - Basic measures → case closure rates to see if they are meeting customers needs
 - Need to focus on process excellence not functional excellence
 - Many functions they perform are not essential to Warfighting
 - Have an aging workforce 45+
 - Need to drive authority and responsibility
 - A number of these are working capital fund organizations
 - Simulated price based on last year's demand
 - Not managed through a competitive process
 - Mr. Arnold Punaro → is there any forward progress on the defense working capital fund?
 - Mr. Krieg → Yes, there is progress
 - Need to send consistent signals if we are interested in competitive pricing
 - To go beyond nip and tuck- need to look at process redesign for the heavy hitting savings
 - There is a high political price to pay for uncertain outcomes
 - Commissary is losing more money even on higher sales
 - Not here to debate whether or not to provide service i.e. Commissary
 - Caveat: this is a work in progress
 - Clearly not very accurate
 - It's meant to guide direction

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Total activity is function of budget and how much money passes through the organization

- These 9 groups have \$53 billion going through them
- It's about \$23 Bill in operating cost
- 210,000 people directly employed
- Business processes are really cumbersome and some are non-core
 - Supply chain, network process, is not fully developed
 - Contain functions that would not develop as a core competency
 - 12 to 15 % savings possibilities in the first cut
 - Civilian reductions in 15K + range
 - Return those folks to warfighting functions
 - 25-30% savings when you really competitive source
 - OPM created a company US investigative services into a private entity
 - It was tough at first but now it's considered a case study
 - Dave Walker → it forces process improvements and generates savings
 - Even though there maybe an upfront cost that will have long-term payback
 - Not all costs are borne by DoD
 - They have not done a rigorous Business Case Analysis but they have looked at where that analysis should be focused
 - Defense Security S has 3 core functions
 - Security work on clearances
 - Industrial clearances
 - School process for DoD clearances
 - Agencies have their own process to have clearances and each are about \$80K. If you have 3 or 4 agency background checks then it could cost \$400K
 - There is no standard for inputting dates
- Agencies approve clearances not DSS, DSS just supplies the data
 - DSS automated the data and still prints out hard copies and mails those in
- Need to integrate the data
- It recommended that we should look at the OPM model
 - SEC likes the two competitor notion
 - Does this include all clearances?
 - Maybe we should outsource lower clearances and not SCI
 - DoD would like to retain some capability
 - Re-certification should not necessary be every 5 years but based on certain criteria (i.e. big bank deposits)
- Are contract audits a core competency in DoD?
 - Not clear, can probably cut a few layers but need to retain the capability
 - Create a fee for service arrangement
 - Need to push the notion of buying audit services at a minimum
 - What do auditing services cost?
 - Need to be sure there is no conflict of interest on the part of companies that do audits
 - Mr. Phil Merrill → it is a requirement, it develops a holy grail process to it

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I want a functional requirement i.e. capability not on delivery mechanism

Need to move from threat based requirements to a capability paradigm
JROC it becomes embedded in stone and can't be changed even by new Secretaries

- Mr. David Walker → certain activities need to be done horizontally and not vertically because the future of warfare does not fit the vertical model
Need to define capabilities

Joint

- It used to be that DoD was the supply and the demand. We can't have suppliers dictating demand

- Need to know how to buy professional services also
- This is not a financial statement audit

➤ DCMA

- Review the performance of the contract and they also participate in the acceptance process
- They provide one face to contractors, this includes providing one standard for the DoD
- Don't want to go backwards on this. It drove contractors crazy
- Need to raise the workload triggers i.e. higher risk (new contracts)
- Return acceptance to the buying entity

➤ DFAS

- Participates at the end of most processes
- Anything that needs a check out
- Most problems are associated by rework that occurs before it gets to DFAS
- Even if you outsource you still will have bad data
- They looked at their 16 business lines and looked at what is core and what can be outsourced
 - Many of their business lines don't have a private sector alternative
 - They want to consider a strategic partnership to deal with this
- DoD is required to go through an A-76 process which is legislated
- They would like to have some test beds to try out these new ideas

➤ Big debate on when leave starts, each service has different standards

➤ In DoN you still fill out paper on travel forms

➤ DLA is a relatively small section of the entire supply chain

➤ They are trying to put together a plan that looks at the entire supply chain

➤ DLA wants to move from a manager of supplies to a manager of suppliers

- They don't have to take ownership of commodities where they are only the agent of transfer
- A lot of functions were put in DLA i.e. printing services (Kinko's like service)
 - Problem is for classified documents but bulk is not classified
 - Need to consider sensitivity and classification issues
- What is it we want to do on supply chain?
 - Need to build a strategy to move toward that
 - Maybe DLA and TRANSCOM can combine functions/responsibilities
 - Mr. Gus Pagonis → Why does it have to be military?

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- 3rd party could provide the services
- They also may ship less than an entire truckload
- Cut down inventory and safety stocks when possible
- Mr. Phil Merrill → Ford does not have brake lining on the books until it's on the car. It wipes out inventory control and keeps costs way down
- You may still have some safety stock but you could keep it down if you improve the process
- Mr. Arnold Punaro → a GAO study showed that there were orders made for 450,000 left-handed gloves only 200,000 right-handed gloves. They were not ordered at the same time
- Defense Health Program (DHP) → a little bit further behind
 - Core competency → health support for military operations
 - Health care management can be provided by private sector
 - How many military doctors, nurses, and corpsman do you need in the military?
 - Mr. David Walker → why aren't we looking beyond DoD? Maybe the VA may have some insights
 - Mr. Phil Merrill → This is a REAL cultural issue
 - We really need to drive a new readiness requirement
 - Most requirements are based on a WWII model
 - Market managers need resource authority
 - Defense Information Services Agency → traditionally they buy pipelines
 - Navy Marine Corps Intranet (NMCI) has been set up as an alternative
 - It's been very tough in implementation
 - It's becoming more costly per seat
 - DISA may subcontract to EDS
 - Bigger questions how do you move from command and control world to network world?
 - That's the debate we want to deal with
 - Mr. Phil Merrill → We are in the middle of an IT revolution and we still operate in a government regulations that don't apply

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Working Lunch w/SEC and Human Resources Work Group Presentation

- ❖ 12:30 Working Lunch with Human Resource Group presentation delivered by Mr. Fred Cook
 - Based on the recommendations that Mr. Cook gave, SES level employees should be graded on 4 criteria
 - Unfortunately, if SESers are graded on their performance reviews then 95%+ will have an exceptional record
 - It will be difficult to differentiate these personnel based on performance reviews alone
 - It will also be difficult to get a tiered assessment of all SESers
 - All the folks who achieved an SES position are there because they have had an excellent career and good record
 - You would have to assume that people need to be forced into choices
 - Especially tough when deciding among the top SESers
 - OPRs are maxed out at 4 per?
 - Mr. Fred Cook → discourage the use of forced ranking because it degrades the results
 - Recommendation #3 is easier to deal with
 - Why are you giving corporate (OSD) folks line responsibility (service)
 - The services should decide who goes into SES positions
 - OSD can provide insight and candidates but services need to make the decision
 - Either the organization needs to become similar to a holding company or you put all of the responsibility to the services
 - The issue is that there is no centralized management of SES employees
 - Each services manages their own
 - The Air Force is generally considered to manage their program the best
 - Central organization would hire they would help services find the right candidates
 - Secretary Roche → you have to look at the total compensation including bonuses and that can range up to 20% of salary
 - SES levels 4,5,6 get most of the bonuses
 - When folks are in crucial spots they should get a higher bonus but with a time limit of say 4 years and for that time they should get more money
 - You need to have new talent in key positions periodically
 - You can't stay in the same spot forever
 - SESers don't get a cost of living adjustment factor
 - Progression is by merit only
 - DoD is not unique but they are an example
 - If a person moves their pay doesn't necessarily increase, it should be based on the position
 - Hard part is to identify the key positions
 - Who does this evaluation
 - Agency heads + the Service heads with the approval of the SEC
 - Rotate presidential awards to raise pay of top performers

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- The critical folks are the ones that should be invested in
- You need to put the top performers in the critical positions
- Dr. Wolfowitz → there are many outside pressures, it would be difficult with Congressional pressure
 - General Officers and SESers go through the same training and now they can qualify for the same positions
 - Is there a standard where we can make it an objective
 - Folks who are willing to relocate are more valuable
- If you stratify positions and you're not in a key position, you will not progress
- Ranking of the positions is critical
- For non-performers, a severance package of 1 week salary per year of service for up to 1 year
 - They must release the right to sue
- Need to put time limits in key positions to have folks rotate
- Need mix of long term folks with shorter term political folks
- Don't want to develop an up or out type system
- The Pay band system works well in the private sector
 - Would like to have a pay band system for SESers
- The Secretary of Defense should have a meritorious award and the President should have the distinguished service award
- SESers should be managed at the OSD (P&R) organization level
- Although there is a big difference in the services
- There should be an SES board and military boards consistent with best practices
- There should be an SES human capital review board covering civilian folks
- OSD should be in charge of policy on the matter
- Most folks agreed that much of this can be done without legislation
- Secretary England said that workforce shaping is the toughest part and the most important, even though this effort is a good one.

**Financial Management Modernization Program (FMMP) Management Information
Work Group (Neil Albert) w/Catherine Santana**

- ❖ 14:30 Discussion FMMP discussion with Neil Albert and Catherine Santana
 - They are documenting legislation requests as they go along their project
 - They want to pay on receipt not on invoice. This is an industry standard.
 - Question: what is the level of detail that will be presented?
 - Wanted to recognize process changes
 - Wanted to recognize the leading practice and what challenge that would overcome
 - They have some system products developed already
 - System and operational views are developed to the same level
 - Should get some documentation and case studies that demonstrate the major issues
 - This is also an issue with the Homeland Defense Bill. It's hard to be successful if they are not
 - You will not even hold a workshop on our business area
 - Scope is an issue right now
 - They would like a letter from Secretary Rumsfeld to reiterate the scope of the project
 - The Financial side of the Air Force are participating heavily in this effort
 - They can apply the LBJ approach, where you grab their money and their hearts and minds will follow
 - Every IT investment needs to have an FMMP-1 to detail the scope of projects 1,700+ systems already registered
 - If you're not in the PBD, you don't get money
 - They will hold the money until they understand how it fits into the architecture
 - They want to maintain current legacy systems with limited changes (47 systems)
 - You have to grab the money if you really want to control the situation
 - They have a chart of business process owners, they own the systems that support those functions
 - They have ID the PSA at a high-level
 - Do you know enough about the architecture to make those tough decisions
 - We put a series of criteria to use to help evaluate those systems from a technical perspective at first (i.e. web enabled)
 - It will be a few more months before we know about the functional perspective
 - Let services compete for money, it will engender interest
 - You also need a stick approach too
 - Do the services know how to approach you?
 - All of the services have been invited, Army and Navy aren't quite there but the Air Force is on board already
 - Requirements will be defined in terms of functionality to DoD

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- Looking for pilot to test a business area (i.e. installation management is too big, maybe installations management utilities)
- Focus Is on the change of the business process not on the system
- What % of IT budget do you control?
 - That has not been resolved yet.
 - The only budgeted money is R&D money right now
- You need to control the money to effect change
 - Defense News October 21-27 mentions that Team IBM is looking at an intermediate method by interfacing those systems
 - This is not something we are driving toward
- They are building “quick wins” in the interim but not to interface existing systems
- They want to link the data in different systems but not the systems themselves
- They are identifying logical data model and all their attributes
- 16-18 break even expectations on all investments
- Need to set thresholds for folks to come in
- Do they have selection criteria for the 1700 systems that they have collected?
 - They may help establish which systems/processes can be pilots
 - Would like to identify pilots by the end of January
 - By May they should be doing the BPR etc.
- Do they want to think more broadly, i.e. a service? When Rumsfeld leaves what happens? The pilots will deal with cross cutting processes
- Industry is not quite where the department wants to go
- From the assessments, the FMR and DFAR are the issues in the way, not a lot of change of legislation is required
- Although, you still may get push back from the Hill
- Prompt pay act says that payment should be done within the contractual terms
- Systems and technology support processes, if you have a system it doesn't mean you've improved the process
- You need to focus on capabilities and process improvements not systems
- Is the system a push or pull?
 - It's a mix of both
 - Some initiatives may be sped up where it makes sense
 - They will also look for good ideas in one service to bring to another services
 - They may expand the scope of projects where synergies can be found (e.g. DAEMERS)
- Operations costs are declining
- Navy has done a pilot with SAP
- They have 4 pilots, NAVAIR, SPAWAR, NAVSUP, NAVSEA they can build on each other instead of working independently
 - They duplicated current lines of accounting
 - Reshaping effort would be pretty large

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Those 4 pilots don't even talk to each other

- Many IT systems are hidden in operating costs
- There are also issues because many people don't know that similar efforts are already occurring the Department
- More and more of budgets are going to people
 - Certain things are non-discretionary
 - Need to define what FMMP is and isn't, both are important
 - There were some folks who were not interested in the project at first but as momentum has grown those folks have become our biggest supporters
 - Excess capacity means extra people
 - People don't want to work themselves out of a job
- USMC has developed a relationship with AT&L to develop one product with materials that are common to all of the services
 - USMC integrated logistics folks can communicate with AT&L easily and work with them to embed them in the process
 - USMC wants an Memorandum of Agreement between the two organizations and to other services interested in participating
 - Great progress is being made with AT&L's logistics folks and with momentum the services will come onboard
 - There are DLA reps that participate also
 - They have a Change and Communications Strategy being developed to get the word out
 - Cultural change is the biggest challenge of this entire project
 - You need very disciplined project management with something this complicated
 - It is tough but you need to have that discipline
 - Change management is basic leadership principles
 - You have to know when to pull the plug (problem in public and private sector)
 - 80% are over budget and/or schedule, especially with a COTS product
 - It is not plug and play
 - You need to know what the COTS package can and can't do
 - Also need to consider the acquisition strategy
 - Need a quick win to build confidence
 - Can the Secretary entice someone with past success to work this project?
 - Compensation is an issue
 - This could be a capstone for someone who is at the end of their illustrious career
 - Needs to have the complete confidence of the Secretary and do it as a favor to their country
 - This transformation effort is beyond Rumsfeld
 - Government problem is who is going to be the Champion once he goes
 - Need a Chief Operating Officer type who's job is to maintain continuity beyond the Administration

Dr. Zakheim wants any recommendation that will help these efforts

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The only way to be successful in through a Joint Effort

- They need a what's in it for me (WIFM)
- They have to feel the pain before they will come onboard
- Need to create incentives to participate

Top Tier MBA Recruitment Study Working Session (Fred Cook)

Attendees:

Fred Cook, Task Force Chairman

Ginger Groeber, OSD, P&R

Betty Welch, DAS, Navy, P&R

Rachel Dondero, Special Asst. to DAS, Navy, P&R

Lt. Pete Majeranowski, USN, EA to Special Asst. to SecNav

Harrison Smith, PMI, Navy

Kelly Van Niman, Executive Secretary for Task Force, DBB

- ❖ Navy Overview of Vision: No MBA's in Secretariat making financial decisions. Vision: Create pilot program that cuts through government bureaucracy of conventional hiring practices to infuse top business talent into senior levels of DoD. Program would be 1-2 year fellowship for 5-10 MBA's from top tier schools with 5-10 years prior experience. Goal would be to start with class of 2003, and recruit them as GS-13 with potential annual grade increase, and have person work on a specific project at the discretion of the ASN from whom they work. Navy does not want repackaged PMI program because of rotational requirement, lack of business focus of this program, and bureaucracy associated with it.
- ❖ OSD/P&R Comments:
 - Option 1: With some modifications PMI program is one option for SecNav to consider. Could argue with OPM that DoD is large enough to satisfy rotational requirement by permitting internal rotation within DoD or the Secretariat. PMI program would offer a vehicle for them to become permanent if desired, unlike Fellowship. Could target MBA's at specific schools without any legislative changes. Incoming salary - GS-9 @ \$38K-\$49K, but could offer up to \$25K retention bonus if they stayed for full 2 years, and repay up to \$6K/year up to \$40K of their tuition debt (request to raise limits to \$10K/year up to \$80K is pending Congressional approval).
 - Option 2: Advertise position openly in a specific college's area, i.e., Boston for Harvard, knowing that job would be posted on OPM's and DoD's web page for all to apply. Navy could use delegated examining authority from OPM to select candidate, but would have to have a defensible reason for the selection of the candidate, i.e., cannot select based solely on MBA and/or

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school attended. Person's incoming salary could be reviewed based on prior experience to achieve higher than GS-9 salary under PMI Option.

- Option 3: Person could be hired for 1 year with 1 year extension under non-competitive process as a consultant with no benefits.
 - Option 4: SecDef Fellowship program for civilian MBA's, like the one for the military, is an option that would require either legislation or an Executive Order. Thought this option would be difficult. Person could be hired at GS-12 level.
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- ❖ Gus Pagonis Comments: Never get an MBA at a GS-9. Should look at other criteria for selection such as prior financial management and/or budget experience to justify higher GS rating.
 - ❖ Tom Modly Comments: Harvard has a salary supplemental program for graduates who go into public service. Should investigate further.
 - ❖ Next Steps: Betty Welch asked to write a recommendation for a program for review by MBA Task Force.

**Defense Business Practice Implementation Board
Special Board Meeting
29-Oct-02**

	Management Information Working Group (Neil Albert) w/Ken Krieg	Dashboard Metrics	Public Deliberation on HR Work Group Report	Financial Indicators Task Force Matrix (Bill Phillips)	Agency Review Report (Ken Krieg)	Lunch w/SEC	Human Resources Work Group Presentation to SEC	(FMMP) Management Information Work Group (Neil Albert) w/Catherine Santana	MBA Recruitment Task Group Kick Off Session
Attendee									
Deputy Secretary Paul Wolfowitz							x		
Secretary of the Air Force Roche					x		x		
Secretary of the Army White					x		x		
Secretary of the Navy England					x		x		
Under Secretary Zakheim					x		x		
Ken Krieg, Executive Secretary of the SEC	x				x		x		
Mark Everson, Controller, Office of Federal Financial Management, OMB					x				
David Walker, Comptroller General GAO	x	x	x	x				x	
Jeffrey Steinhoff, Managing Director GAO	x	x	x	x	x		x	x	
Tina Jonas, Comptroller, Federal Bureau of Investigation									
Jo Ann Boutelle, Deputy Chief Financial Officer							x	x	
Gus Pagonis, Sears, Roebuck and Company (Chairman)			x				x	x	x
Fred Cook, Frederick Cook & Company	x	x	x	x	x		x		x
Admiral Norm Johnson, Dean of Students, Boston University									
Phil Merrill, Capital-Gazette Communications	x	x	x	x	x		x		
Arnold Punaro, Science Applications International Corporation	x	x	x				x		
Mort Zuckerman, Editor-in-Chief, U.S. News & World Report			x	x	x		x		
Bill Phillips, IBM Global Services	x	x	x	x	x		x		x
Denis Bovin, Bear Stearns and Company, Inc.									
Neil Albert, MCR Federal, Inc.	x	x	x	x	x		x		x
Robert Hale, Logistics Management Institute	x	x	x				x		x
Travis Engen, Alcan, Inc.	x	x	x	x	x		x		x
Bill Schneider, Chairman of Defense Science Board							x		x
Tom Modly, Executive Director, DBB	x	x					x		
Kelly Van Niman, Consultant to the Executive Director of the DBB	x	x	x	x	x		x		x
Alex Zemek, Defense Fellow of the DBB	x	x		x	x		x		x
Jim Ireland, Sears	x	x	x	x	x		x		
Maj. Seth O'Cloo, Defense Business Fellow	x	x	x	x	x		x		
Deputy Under Secretary (P&R) Charlie Abell							x		
Deputy Under Secretary (P&R) Gail McGinn			x				x		
Civilian Policy Ginger Groeber							x		
Terry McKay, Accounting Policy			x	x					
Mike Powers, Accounting Policy			x	x					
Catherine Santana, FMMP Project Leader								x	
Jim Long, Acquisitions Leader FMMP								x	
Mike Hampton, Program Management FMMP (Earned Value)								x	
Marina Portnoy, Human Resources Management Leader FMMP								x	
Lt. Pete Majeranowski, Navy MBA POC									x
Betty Welch, Deputy Asst. Secretary of Navy - Civilian Personnel Policy									x
Harrison Smith, Presidential Management Intern for Navy									x
Rachel Dondero, Spec. Asst. to Betty Welch									x
Jason Reis	x	x	x	x			x	x	