

# Minutes of Quarterly Meeting Board Meeting 17 November 2004

## Defense Business Board

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The Quarterly Meeting of the Defense Business Board (DBB) began at 0930 on November 17, 2004, in Room 2C-554, the Pentagon. Mr. Gus Pagonis, Chairman of the Board, commenced the session and welcomed the Board. Mr. Tom Modly, Executive Director, reviewed the agenda and informed the Board that Dr. Paul Wolfowitz would meet them at 1145 to discuss the Management Agenda Task Group.

The Board's Public Session began at 0950 with Mr. Bill Phillips discussing Financial Audit Operations. Next, Mr. Herb Shear and Mr. Tom Modly discussed the Cycle Time Task Group. After the Cycle Time session, Mr. Denis Bovin led the discussion of the Management Agenda for the next administration. The Board then met with Deputy Secretary of Defense, Dr. Paul Wolfowitz, to further discuss the Management Agenda. This was followed by a lunch break.

At 1345, the Board reconvened and Mr. Fred Cook facilitated a discussion of Human Resource issues including, Senior Leadership Pre-Assignment, Diversity and the Defense Fellows Program, and lessons learned from the Task Group on Iraqi-Americans.

At 1400, the Board met with Mr. Ken Krieg to discuss the results of their Management Agenda session with Dr. Paul Wolfowitz and to establish some specific focus areas within each topic. The proceedings concluded at 1500.

The minutes below attempt to capture the general course of the discussions during the quarterly meeting.

### Working Session

- ❖ Welcome, Review of Agenda → Mr. Gus Pagonis, Chairman, and Mr. Tom Modly, Executive Director
  - The dates for future board meetings:
    - Thursday, February 17, 2005
    - Thursday, May 19, 2005
    - Thursday, July 28, 2005
    - Thursday, November 17, 2005
    - Thursday, February 16, 2006
    - Thursday, May 18, 2006
  - Board discussed the possibility of meeting at a business-oriented, operations center/depot for one of its meetings next year. Members were supportive and the DBB Staff will pursue.

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## Old Business (Public Session)

- ❖ Financial Audit Operations Task Group Discussion
  - Much work has been done by the Inspector General, the Comptroller and others but better coordination/communication and leadership/accountability is needed. A final audit opinion by 2007 is not realistic but there are specific interim goals that can be achieved to demonstrate progress, i.e., an audit opinion of a specific Service. The 2007 deadline helped to create a sense of urgency. The financial audit results need to be connected to the Balance Scorecard. Of further assistance will be the Audit Advisory Committee, led by someone who is empowered to make decisions, advise, and to serve as an institutional memory.
  - Chairman's Conclusion/Next Steps → The Board will brief Dr. Wolfowitz on these recommendations with Ms. Tina Jonas's involvement.
  
- ❖ Cycle Times Task Group Discussion
  - Industry best practices like Performance Based Logistics (PBL) are being used at Jacksonville NAS. They are using LEAN manufacturing process mapping to find where inventory is slowing down. With respect to the F-18 line, they freed up 10 to 12 aircraft to increase availability. Walking and waiting times also have been greatly reduced. At Pax River, once everyone knew that the only measure that mattered was aircraft availability everyone got in synch and performance improved dramatically. It is a process issue, not an acquisition issue. The Navy can and should share best practices within their own Service and with other Services. The Services need to standardize how things are measured so you can compare wait times. Also important is that private sector companies use negative incentives for poor performance, DoD is hesitant to use this authority. The result will be that less efficient companies will want to work with the government.
  - DoD has made progress on PBL but now we should move on to more substantive items. You can see if parts are available from another Service but the business rules aren't there to say if you can give that part to the other Service. Some progress has been made to use more common commercial platforms to share parts. Color of money issues may arise as one Service provides parts for another. DoD has legislative authority and the depot caucus has supported because we are moving things to depots faster. We have to get the success stories out there. We are not looking to reduce head count at the depot.
  - Chairman's Conclusion/Next Steps → Let's put together a list of realistic recommendations and present them to Dr. Wolfowitz.
  
- ❖ Management Agenda Task Group Discussion
  - This is the right time to raise this issue again – with updated numbers. A recent study identified 300,000 military personnel serving in non-military type positions. With BRAC you have the authority to make significant changes. Logistics missions still need to be completed but efficiency in process can help create savings. DoD needs to create incentives to save money. The DBB should identify a few key objectives and zero in on their cost savings. However, some of the DBB's recommended topics for the management agenda may cost money not save it, like outplacement services in support of BRAC. The Board also needs to

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- help the Comptroller with the vision for Business Management Modernization Project (BMMP).
- On the issue of a Chief Management Officer, the Board agreed that he/she must be empowered to make real decisions. Essentially the CMO serves the COO function for DoD. We are not talking about military operations but the internal “plumbing” of the Department. It has been suggested that if the operating standards with the Service Secretaries were better, DoD may not need a COO type position. Step one is to clarify what you need done, and then set up the positions and then find the right person. The SECDEF position has become much more complex with many more demands than 30 years ago. We want to turn the hierarchy 90 degrees, so people who need to communicate will. Service Secretaries are starting to work vertically and horizontally, for example NSPS. Title 10 lays out clearly the roles, but the DoD is not currently organized to support it. The level and term of the person remains to be decided.
  - On the issue of Human Resource reform, the Board felt that the Department has an historic opportunity with NSPS. Ironically, the tenets of NSPS could probably be applied more easily to SES positions.
  - Chairman’s Conclusion/Next Steps → The DBB will use the name CMO, and the Task Group subcommittee will define/clarify its position with respect to role/responsibilities, term, level and staff support for the position. Mr. Arnold Punaro will research and provide back up data to each group. The Task Group will form subcommittees around each of the following topic areas and define/clarify measurable key objectives for each:
    - Governance /Organization (CMO)
    - HR
    - MIS and financial operations
    - BRAC/fixed assets
    - Supply chain
    - Proactive Management of Healthcare
  - The Subcommittees’ membership will be (with others assigned later):
    - HR → Mr. Fred Cook / Ms. Madelyn Jennings
    - CMO → Mr. Denis Bovin / Dr. Dov Zakheim / Mr. Jim Kimsey
    - MIS/finance → Mr. Neil Albert / Mr. Bob Hale & Mr. Ed McVaney
    - BRAC → Mr. Arnold Punaro / Mr. Denis Bovin / Mr. Jim Kimsey
    - Supply chain → Mr. Herb Shear / Mr. Gus Pagonis / Mr. Bill Phillips
    - Health → Mr. Jim Haveman / Mr. Henry Dreifus
- ❖ Defense Business Board Meeting with Dr. Paul Wolfowitz
- Management Agenda topics discussed
- ❖ Senior Leadership Pre-Assignment Program Task Group Discussion
- An overview of the program was given, noting that only the more senior leaders in the Department would attend. Elements of the program would continue after confirmation. A distinction was raised/discussed between the need for orientation by former leaders regarding how to operate in the building, verses orientation by

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- career civilians from an outside institution like NDU on what the DoD is about and how it's organized. The Task Group felt both that both elements of the orientation should be conducted in-house since the program was just starting. This program could be shared by other agencies -- not only DoD.
- Chairman's Conclusion/Next Steps → The Task Group needs to present its findings and recommendations to the SECDEF or DEPSECDEF and get a decision if this is something they want done.
- ❖ Diversity Task Group Update
- In response to the DBB's suggestion to commemorate the 50<sup>th</sup> anniversary of the desegregation of the last military unit, P&R suggested that DoD acknowledge the importance of diversity with a memorandum to the components. P&R has decided that the Defense Human Resources Board (DHRB) would provide oversight of the implementation of the report's recommendation, rather than as recommended by the DBB for a revitalized Defense Equal Opportunity Council, renamed the Defense Diversity Board, to oversee implementation. The Services haven't reported yet. Scheduled for Jan 05. The DBB was concerned that the DHRB is not always attended by principles, and this diversity should not be seen strictly as an HR issue, but rather a line management imperative.
  - Chairman's Conclusion/Next Steps → DBB needs to respond to Mr. Molino. We should re-brief this with the new Service Secretaries.
- ❖ Defense Business Fellow Update
- The DBB had hoped to have lunch with the 1<sup>st</sup> class today. The program was terminated by the Hill. Recall it would be a 2-year program and fellows would roll into new jobs, not leave. A \$4.4M budget went forward on the Hill but it was not received well on the Hill. It was viewed as redundant to the PMI program. It also was viewed as a restrictive program. There are a lot of high quality schools, it was too narrow. The budget request for FY06 would be \$6.8M, but unless a different message is sent to the Hill, it will not likely get funded. Comptroller staff has talked to the HAC-D staffer and it was not technically killed with prejudice. She is open to discussion on this topic. This is not the PMI program. FYI, we have a similar program at GAO like what you are proposing -- a two-year formal program to try to keep these people in your organization.
  - Chairman's Conclusion/Next Steps → DBB Board Members are available and willing to talk to her. We need to add some other schools to the list and make it a more universal program. DBB staff will work internally and keep us informed.
- ❖ Iraq-American Task Group Discussion
- There are both short term (how to get folks to help) and long term (all theaters and all operations) considerations. Getting some lessons learned from folks who were down there would be good. We may need to run the recommendations through the policy people before it's presented to the report's sponsor. Dr. Paul Wolfowitz is looking for an after action review to learn from what occurred. Some of these issues fall between DoD and State. ; not other things where it does not have core competencies.

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- Chairman's Conclusion/Next Steps → The DBB should focus on lessons learned, not the recommendations. Arrange a meeting with Dave Patterson to discuss findings.

### **Board Discussion with Mr. Ken Krieg**

- ❖ Discussion of Management Agenda
  - The Board discussed six key issues for the Department with Dr. Wolfowitz. These issues are:
    - Governance/Organization (CMO)
    - HR
    - MIS / financial operations
    - BRAC / fixed assets
    - Supply chain
    - Proactive Management of Healthcare
  - SECDEF is taking council on the issue CMO issue and other issues. On HR issues, also consider the SES Leadership. The Department needs some quick wins on BMMP, and to make the IT acquisition process less cumbersome. The hard part is getting common business practices with a new system. DoD's healthcare bill is \$84B per year between VA, DoD and other annuities.
  - Mr. Ken Krieg → We need the DBB to identify 2-3 things the Secretary has to go do, and tell us those quickly.
  - Chairman's Conclusion/Next Steps → CMO, BRAC, NSPS seem to be brewing as the top 3. We need to put a memo out to the Board with top priorities. Mr. Ken Krieg to get current data on the DoD to Mr. Arnold Punaro.

Certified by:

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Gus Pagonis  
Chairman, Defense Business Board