

# Minutes of Quarterly Meeting Board Meeting 6 May 2005

## Defense Business Board

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The quarterly meeting of the Defense Business Board (DBB) began at 0800 on 6 May 2005, in Room 3E-869 of the Pentagon. Mr. Gus Pagonis, Chairman of the Board, began the meeting by welcoming the attendees and reviewing the agenda. He informed the Board that they would be meeting with Secretary Rumsfeld at 0915.

The Board's Working Session began with a discussion of the Management of Business Operations/Transformation in DoD. This was followed by a review the Management Agenda Final Report with Secretary Rumsfeld.

At 1015, the Board started the Public Session. Mr. Bob Hale led the discussion of Management Recommendations on Business Transformation/Operations. The next Task Group discussion, led by Mr. Ed McVaney, was the BMMP Realignment. Mr. Fred Cook concluded the Public Session with the NSPS Next Steps and Performance-based Management discussion.

The DBB met with members of the Senior Executive Council (SEC) at 1330 to discuss NSPS Next Steps. The DBB then talked about administrative issues and the Board was adjourned at 1430.

The minutes below capture the general discussions during the meeting.

The DBB's Chairman, Mr. Gus Pagonis, welcomed the DBB and provided a brief overview of the agenda below:

0800-0900	Working Session
0915-1000	Meeting with Secretary Rumsfeld
1015-1130	Public Session
1200-1300	Lunch
1330-1415	DBB Meeting with SEC (Mr. England, Mr. DuBois, Mr. Dominguez, and Mr. Wynne), Dr. Chu, and Ms. Jonas
1415-1430	Board Wrap Up

The Working Session allowed for the DBB members to become familiar with all of the topics that would be discussed in the Public Session. The Working Session focused on the Management of Business Operations/Transformation in DoD.

At 0915 the entire Board met with Secretary Rumsfeld. Mr. James Kimsey briefed the Secretary of Defense on the DBB's Management Agenda Final Report. In this report, the DBB identified three fundamental priorities for the senior leadership in DoD: fix the department's organizational structure; drive key end-to-end business process improvements across each of the five business missions of the department; and transform the management of the civilian workforce. (The

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Management Agenda Task Group began its work in 2004 and the final report is currently available on the DBB website.)

At 1015, the DBB conducted its Public Session. Bob Hale presented the DBB's recommendation that the Deputy Secretary should serve as the Department's COO/CMO. The DBB's Recommended Duties of the COO/CMO (in rough priority order) are:

- Focal-point Department-wide Business Transformation
- Improve DoD civilian personnel management
- Improve business management systems
- Implement base closure process
- Improve supply chain management
- Improve acquisition process
- Achieve auditable financial statements

The Board felt that the job description was critical to achieving a cultural change so the role is not personality-driven. The DBB also mentioned that the Secretary and the Deputy Secretary may want to make a determination in a year if a separate "Business Transformation Executive" is required since managing the day-to-day operations of the Department while also overseeing its transformation may require additional assistance.

The next phase of the Public Session entailed a briefing by Ed McVaney (Task Group Chairman) on the Business Management Modernization Program (BMMP) Realignment. During the briefing, he explained the role of the Defense Business Systems Management Committee (DBSMC), and he said that the Task Group is encouraged by the recent changes in the program. Short-term goals are lacking but they are being established and will be included in the September 2005 report to Congress. The Task Group recommended that the program's leadership needs to define a clear vision and short term goals for the program.

The Board felt that the key to the success of BMMP is hiring a person with the necessary skills and stature to manage it. Currently Tom Modly (Deputy Under Secretary of Defense for Financial Management) and Paul Brinkley (Special Assistant to the Under Secretary for Acquisition) are co-leading the program until a Business Transformation Executive is hired. Getting the right mix of DoD and private sector experience may be difficult and adequate compensation will be an issue. A team of about 10 people may be needed to get all the skills necessary to manage the program properly, and additional technical training may be necessary because of the nature of the program. The DoD has the authority to bring in highly qualified people for up to 5 years, and the Department needs people with culture change experience.

In Part II of the Task Group's work, they will review the short-term strategy for BMMP and provide input. The entire DBB will be briefed on the short term goals for BMMP at the 28 July meeting.

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Mr. Fred Cook (Task Group Chairman) provided the Task Group's recommendations regarding the National Security Personnel System's Next Steps. The DBB debated at length the Task Group's first recommendation to phase in pay-for-performance in a top-down manner versus "all-at-once" because of the necessity to pursue the least disruptive approach and to demonstrate that all are being treated equally. The DBB eventually reaffirmed the "all-at-once" approach. The DBB supported the other key recommendations, which were:

- Apply pay-banding only to professional career groups;
- Establish "fire walls" between pay bands;
- Engage communications experts in the public affairs strategy to enhance current training efforts; and
- Utilize coaches in the field offices that are implementing NSPS.

Mr. Cook also provided interim findings by the Performance-Based Management (PBM) Task Group. He explained that people are looking only for two things from senior leadership—define the business objectives and implement performance-based management. Because of this, the Task Group would recommend a performance-based system even without NSPS. The focus of NSPS has been on the logistical/operational aspects, whereas consideration should be given to including operational goals and desired outcomes for the program; not just output goals. The implementation of NSPS must be linked to the Balanced Scorecard, which should: provide insight into the leadership's business objectives; help communicate those objectives; and measure how people are doing against them.

The DBB met with members of the Senior Executive Council (SEC), Ms. Tina Jonas and Dr. David Chu at 1330. Fred Cook began this session with an update on ROTC initiatives at Columbia University. The DBB was thanked for their frequent updates regarding this issue. No further updates were requested.

The DBB's May 6 Meeting concluded with a wrap-up session that began at 1415. The following items were addressed during this session:

- It is no longer necessary for the DBB to continue its work relating to the following tasks, which came out of the DBB's discussion with the Deputy Secretary of Defense on February 10:
  - i. supply chain
  - ii. horizontal management primer
- The Business Practice Transformation Task Group has been dissolved to avoid any potential perception of conflict of interest.
- The Iraqi Utilization Task Group is no longer necessary due to the recent work done by P&R on the Foreign Language Roadmap
- Future Board Meeting Dates:
  - 27-28 July is the next Board meeting.
  - 6-7 December is proposed for the last Board meeting of the calendar year.

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- Mr. Fred Cook will draft the terms of reference to look at healthcare for military retirees. Mr. Henry Dreifus will lead the Task Group & Mr. Jim Haveman will support. There is a GAO report coming out this summer on military compensation and the Board should review it.
- If DBB Members have recommendations for DBB candidates, they are to let the Chairman know by June 1<sup>st</sup>. Also, since the terms for many DBB members are about to expire, the DBB members are to inform the Chairman of their desire to be extended.
  - Areas of expertise being sought in Member-candidates: financial management, supply chain, human resources, and general management. Healthcare is also an area that would be beneficial to the DBB.

The meeting officially adjourned at 1430.

Certified by:

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Gus Pagonis  
Chairman, Defense Business Board