

Defense Business Board

SUMMARY OF MEETING

May 31, 2006

The Defense Business Board (DBB) held its quarterly meeting on May 31st, 2006 in Room 2C554 (Conference Room #7) of the Pentagon.

In accordance with the provisions of Public Law 92-463, the public session was conducted from 08:00 AM to 12:00 PM. In addition, DBB members conducted an administrative session.

DBB Members present:

William (Gus) Pagonis, Chairman
Barbara Barrett
Denis Bovin
Frederic Cook
Henry Dreifus
James Haveman
Madelyn Jennings
James Kimsey
John Madigan
William Phillips
Arnold Punaro
Atul Vashistha
Dov Zakheim
Mortimer Zuckerman

DBB Staff in attendance:

Kelly Van Niman, Executive Director
Lynne Schneider, Deputy Director
Ryan Bates, Staff Assistant

Others present for all or portions of the meetings on 05/31/2006:

Gordon England, Deputy Secretary of Defense*
Dionel Aviles, Under Secretary of the Navy*
Thomas Kelly, Deputy Under Secretary of the Army*
Ron Segal, Under Secretary of the Air Force*
David Chu, Under Secretary of Defense (Personnel & Readiness (P&R))*
Tina Jonas, Under Secretary of Defense (Comptroller)*
Patricia Bradshaw, Deputy Under Secretary of Defense for Civilian Personnel Policy
VADM Donna Crisp, Director for Manpower and Personnel (JCS, J-1)
Michael Dominguez, Assistant Secretary of the Air Force for Manpower & Reserve Affairs
Michael Donley, Director of Administration and Management (OSD)*

Robert Earl, The Special Assistant to the Deputy Secretary of Defense*
Brian Lapore, Acting Director, Defense Capabilities and Management, GAO
Frank Leaming, Senior Management Analyst, DA&M*
William Lowry, Principle Director of Enterprise Services (USD Policy)
Jeffery Nadaner, Deputy Assistant Secretary of Defense for Stability Operations
Anil Patel, Analyst, Strategy and Integration Directorate, US Army Corp of Engineers
Jeff Steinhoff, Managing Director, Financial Management and Assurance, GAO
David Walker, Comptroller General of the United States
William Winkenwerder, Assistant Secretary of Defense for Health Affairs*
BG John Wissler, Senior Military Assistant to the Deputy Secretary of Defense*

Tim Kauffman, Senior Writer, Federal Times

*Only attended the session with the Deputy Secretary of Defense.

EXECUTIVE REPORT

Mr. Gus Pagonis (DBB Chairman) began the DBB's meeting at 8:10 AM by providing an overview of the agenda for the day, reviewing some administrative items and then opening the public session.

PUBLIC SESSION

The Public Session of the DBB's May 31, 2006 meeting began at 8:15 AM with opening remarks by Denis Bovin. Mr. Bovin presented a summary of the four task groups and explained how culture, organizations, and people all must be addressed in an integrated fashion to sustain and drive enterprise transformation.

Task Group on Innovation and Cultural Change

At 8:45 AM Henry Dreifus presented the Task Group Report on Innovation and Cultural Change. He began the presentation with the highlights of the Task Group's observations, notably, the fact that organizational culture drives employee behavior and employee behavior drives culture. Within the DoD, multiple cultures exist and a purposeful, sustained, forcing function is needed to change organizational culture. The Task Group provided four (4) recommendations to the DBB for consideration; all of which were accepted. The Board did not make any changes to these recommendations. The specific recommendations are as follows:

1. Apply "culture" as a change tool – prescript and promote guiding principles/shared vision that complement enterprise goals
 - Integrity
 - Renew the "oath of office" each year
 - Excellence
 - Recognize on merit and performance, not seniority
 - Teamwork and Collaboration

- Implement efficient, networked business and decision-making processes to clarify and de-conflict roles and responsibilities
 - Promote horizontal fusion, exempli gratia “Team Defense”
 - Make work satisfying and respect people’s time
 - Creativity and Innovation
 - Encourage prudent risk – avoid “zero defects” criterion where possible
 - Change should be continuous and rewarded – flexibility and agility are desired
 - Promote openness to external talent, concepts, opinions and ideas
2. Communicate desired culture and accountable principals to all levels of the enterprise transparently
- Impel a purpose-driven and aligned organization that is results-oriented
 - Communicate at every opportunity and at every level not only the “what” but the “why” – the mission must be clear and regarded as important and worthwhile
 - Change the culture of “no” into a culture of “know”
 - Apply enterprise-wide Knowledge Management tools (Army On-Line, etc.) to achieve a multiplier effect of sharing knowledge at every level within the organization
 - Use technology to expand “radius of control” because you can’t change what you can’t reach
 - Engage top-down the SES professionals to drive and sustain desired culture and outcomes
 - be proactive/strategic and prepared versus reactive/tactical
 - Avoid dysfunctional secrecy – discourage information and process hoarding, encourage collaboration and teamwork at all levels of the organization
 - Incorporate the military values and perspectives of what the “training” investment represents as a source of knowledge that must be refreshed and updated on a continual basis
3. Reward and encourage behavior that drives cultural change
- Define an objective to introduce and practice innovation and continuous improvement
 - Include as a performance element in NSPS and SES annual performance agreements
 - Tie innovation objectives to organizational goals
 - Establish “Circles of Excellence” membership for change agents
 - Use the high level rank awards (medal, diploma and bonus) with visibility of the President and Secretary of Defense involved, and condition award determination on successfully implementing change
 - Identify innovative solutions and highlight success stories that show the way toward innovating or improving the enterprise – always striving to do better

- Solicit enterprise and external perspectives – review/select anonymously – individuals or groups can win (to demonstrate power of team work) – innovative solutions can either fix a problem or innovate and improve an ongoing mission
 - Enhance the civilian-military “partnership” to optimize the war fighting mission
 - Increase opportunities for shared experiences between cultures – such as training – to establish and promote better understanding and communication
 - Look to ways to link civilian and military personnel – make it personal – via e-mail, etc.
4. Reinforce the mindset that “Change is the only Constant”
- Create an environment that attracts the most qualified candidates to fill the positions (even for those “reapplying” for their current job assignments)
 - Consider an NSPS-consistent “eBay for jobs” allowing for individuals to “bid” for assignments, projects, positions, such as the Navy Assignment Incentive Pay (AIP) initiative
 - Enforce rotation, especially of the SES and senior levels
 - Utilize training as a tool to sustain change – invest in civilian training
 - Converge military and civilian training courses wherever possible to promote a common sense of purpose
 - Potential for cost savings as well as harmonizing curricula and culture
 - Collaborate and continuously share knowledge with industry leaders to gain the magnified benefits of collective innovation - to mutual benefit
 - Engage with industry leadership from Google, Wal*Mart, 3M, Xerox, IBM, Southwest Airlines, Toyota, LMI, FedEx-Kinko's, GE, et alia.
 - Create “triggers” for change
 - Establish more “forcing functions” with goals and timelines to sustain change
 - Each Service, Principal Staff Assistant and activity take up their worst problem and empower a change agent within their “radius of control” and fix it

A general comment from the Board was that communication from leadership and the development of people are key to developing the type of cultural climate that DoD is envisioning.

Task Group on Shaping and Utilizing the SES Corps

At 9:15 AM Fred Cook presented the recommendations of the Task Group on Shaping and Utilizing the SES Corps. The Board did not make any changes to the recommendations.

Mr. Cook began the presentation by outlining the current state of the SES Corps including performance management statistics, general demographics, and the historical evolution of the SES Corps to its current state. The main observation of the Task Group

was that the SES Corps has strayed from its original mission of being general management executives to being deep functional experts.

The recommendations of the Task Group were designed to promote a return of the SES Corps to its original mission. A key, specific recommendation of the Task Group adopted by the DBB was to create a parallel “general management” career track alongside the “functional management” career track for SES, and require SES holding “general management” billets to rotate in those positions every 3-5 years.

Following is the summary list of the Task Group’s recommendations which were accepted by the full Board:

- Restore the SES corps to its original mission.
- Simplify the selection and hiring process for SES-level employees while providing multi-faceted career opportunities and training to its high-potentials and SES levels.
- Senior Executives must have broad management experience and reflect the nation’s intellectually diverse workforce, and have core competencies required by our evolving missions and collaborative roles within the interagency process.
- SES Corps should be treated as a special entity and recognized as a potential “equal partner” with senior military leaders in fulfilling DoD’s mission.
- Senior Executives should be provided market-based pay and incentives commensurate with the complexity and responsibility of their position and supporting achievement of overall DOD goals.
- Separation of employees through retirement, attrition or poor performance should be managed so that DOD can prepare for their replacement and maintain an innovative, agile and efficient civilian workforce.

Task Group on Roles and Responsibilities of a Chief Management Officer (CMO)

Dov Zakheim began the CMO Task Group presentation at 10:15 AM. After providing a brief background of why the Task Group was formed, Mr. Zakheim explained the vision and the rationale for each option considered by the Task Group. Three options considered by the Task Group were:

Option 1. Under Secretary of Defense (Management)

- Assist Deputy Secretary of Defense in COO role
- Authority similar to other Under Secretaries (Level III)

Option 2. Principal Under Secretary of Defense (Management) and CMO

- Full responsibility/authority on selected issues in tasking memo

- Responsibility/authority to direct Under Secs and Service Secs
- Budget authority and responsibility (Level II)
- Able to help maintain continuity because of fixed term
- Actually do the work, not just assist

Option 3. Add CMO duties to Under Secretary of Defense for Acquisition, Technology, and Logistics (USD/AT&L)

The Board debated the Task Groups' options, rejecting Option 3 because the USD/AT&L already has too many current duties. Ultimately, the Board decided upon Option 2 with a slight modification for a two-phased approach as follows:

- Phase I: Immediately create Special Assistant for Management (transition) to begin duties and draft permanent enabling legislation
- Phase II: PUSD(M)/CMO with full responsibility & authority
 - Will have time that Deputy Secretary does not have to adjudicate issues, direct action, and monitor compliance
 - Fixed term will provide continuity for transitioning administrations
 - Result: more chance of implementing business initiatives successfully
 - Tasking memo reduces risk of adding a layer of bureaucracy

Task Group on Governance – Alignment and Configuration of Business Activities

At 11:00 AM Mr. Bovin began the presentation of the Governance Task Group, outlining common hallmarks of good governance, such as clear and understood roles and responsibilities, transparent decision-making, vibrant communications and feedback loops on performance.

A key observation of the Task Group was the need for an overarching, consolidated strategic management process, starting with an enterprise strategic plan announcing the DoD mission, vision, guiding principles, goals and sub-objectives with outcome measures.

As requested, the Task Group recommended a governance framework: the Defense Enterprise Planning and Management Framework – an overarching, integrated governance framework that can be used at every level of the enterprise. The Task Group presented several recommendations for better business management of the business-oriented Defense Agencies, e.g., having them report to a common executive, and establishing “Boards of Advisors” comprised of internal and external experts. The Board concurred with the Task Group recommendations. A summary of those recommendations is as follows:

- Adopt hallmarks of good governance from the private sector - develop a DoD Strategic Plan with clear metrics that are outcome driven, multi-year and resource constrained

- Adopt the Defense Enterprise Planning and Management Framework at the governance level and the Enterprise Model as a way of ensuring integration at management and work/execution levels
- Ensure shared services (i.e., business-oriented Defense Agencies) conform to the Decision Support Cell Template and continue to enhance the management of the Defense Agencies through modern business practices
- Empower a robust Decision Support Cell that facilitates strategic integration using real-time and multi-faceted, strategic management processes

ADMINISTRATIVE MEETING

Gus Pagonis, DBB Chairman, conducted an administrative session from 1:00 PM to 2:00 PM. Topics discussed included DBB meeting structure and scheduling, as well as, approach to DBB presentations to the Secretary and Deputy Secretary.

DBB BRIEFING TO DEPUTY SECRETARY OF DEFENSE

Beginning at 2:00 PM, the DBB presented their recommendations to Deputy Secretary Gordon England. Mr. England noted his thanks for the Board's work on these important issues and indicated that the DBB recommendations will be reviewed with the appropriate senior official for comment and action.

ADJOURNMENT

The meeting was adjourned by Gus Pagonis at 3:40 PM.

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

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William "Gus" Pagonis
Chairman
Defense Business Board