

Defense Business Board

SUMMARY OF MEETING

April 26th, 2007

The Defense Business Board (DBB) held its quarterly meeting on April 26th, 2007 in Room #6 of the Pentagon Conference Center.

In accordance with the provisions of Public Law 92-463, the public session was conducted from 8:20 AM to 8:45 AM.

DBB Members present:

Michael Bayer, Chairman
Fred Cook, Vice Chairman
Neil Albert
Barbara Barrett
Denis Bovin
Henry Dreifus
Robert Hale
James Haveman
Madelyn Jennings
James Kimsey
John Madigan
Arnold Punaro
Atul Vashistha
Dov Zakheim

DBB Staff in attendance:

Kelly Van Niman, Executive Director
Ryan Bates, Staff Assistant
Stephan Smith, DBB Consultant

Others present for all or portions of the meetings on 04/26/07:

Gordon England, Deputy Secretary of Defense
David Walker, Comptroller General of the United States

Robert Earl, Special Assistant to the Deputy Secretary of Defense*
Marilee Fitzgerald, Deputy Director, Civilian Personnel and Policy
ADM Edmund Giambastiani, Vice Chairman, Joint Chiefs of Staff
Maj Gen Stephen Goldfein, Vice Director, Joint Staff
Donald Hays, Chief Operating Officer, Business Executives for National Security
Tina Jonas, Under Secretary of Defense (Comptroller)
Dan Oliver, President, Naval Postgraduate School
Jeff Steinhoff, Managing Director, Financial Management and Assurance, Government

Accountability Office
Vice Admiral Stanley Szemborski, Principle Deputy Director, Program Analysis and
Evaluation
Kim Wincup, Chairman of the Board, Naval Postgraduate School

*Other attendees included representatives from the Joint Staff and the Office of the
Secretary of Defense*

Tim Kauffman, Writer, Federal Times

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

BOARD SESSION

Mr. Michael Bayer began the morning's administrative session at 8:00 AM with brief remarks on his new position as Chairman of the Board and a review of the day's agenda. Arnold Punaro then provided an update to the Board on the Tooth-to-Tail Task Group and its efforts to date. The Administrative Session ended at 8:20 AM.

PUBLIC SESSION

Ms. Kelly Van Niman, Designated Federal Officer for the DBB, opened the Public Session at 8:20 AM, and Mr. Bayer introduced two topics for the Board's deliberation and final recommendation.

Executive Compensation Framework

Mr. Fred Cook presented his Task Group's report on an Executive Compensation Framework for employees in Executive Levels II-V. Mr. Cook began by introducing the topic to the Board and noting that the Deputy Secretary requested the Task Group to recommend a framework for a future study on the topic. Mr. Cook noted that many compensation systems exist in the Department and that employment requirements can sometimes produce a negative financial impact on Executive Level candidates. In response to the Deputy Secretary's request, Mr. Cook presented the Task Group's three-dimensional framework to the Board for deliberation. The framework consisted of a top-down compensation review that focuses on creating a compensation structure from a clean state, a bottom-up compensation review that focuses on total compensation pay parity, and an appointment-requirements review that focuses on aspects of the appointment process that may reduce the pool of qualified individuals willing to serve. The majority of discussion among the Board focused on the appointment requirements dimension of the framework. It was noted that preparation for some Executive Level positions can sometimes cost up to \$300,000 in lawyer and financial fees and can create an impediment to accepting a position. Members also commented on the Defense-unique ethics requirement set up by the Senate Armed Services Committee (SASC). Specifically it was mentioned that SASC rules have been in place since the 1970s and have been

tightened over the years. Also mentioned was that while the Task Group was just asked to look at the Executive Schedule, the Task Group should consider these problems when talking about all of the Department's senior leadership and not just the political appointees. The Board also expressed the need to consider the amount of political appointees that the Department needs. Mr. Cook concluded the Task Group presentation at 8:30 AM and the Board endorsed the recommendations of the Task Group.

Supply Chain Management

Ms. Barbara Barrett began the Supply Chain Task Group's presentation on Supply Chain Management by noting that the key to warfighting is supplying the Forces. Ms Barrett explained that the Supply Chain Management report was being presented as the final part of the Deputy Secretary's 2006 request to review all prior DBB recommendations. After briefly outlining the Board's previous Supply Chain topics (Military Postal Service, Cycle Time, Supply Chain/Performance-Based Logistics, and Transportation Command-Defense Logistics Agency Supply Chain Integration), Ms. Barrett noted the Task Group's response to each topic. In regard to the Military Postal Service, Ms. Barrett noted that the Task Group recommends the Department to press forward on the recommendation to outsource military mail and looks forward to further action on the topic. Concerning Cycle Time and Supply Chain/Performance-Based Logistics, Ms. Barrett made note of the Department's great progress and encouraged continued progress in aligning metrics among DoD supply chain entities and vendors. Ms. Barrett also noted that the Department's resource allocation decisions are causing sub-optimization of business operations. Lastly, Ms. Barrett explained that the main topic the Task Group reviewed was Supply Chain Integration. The Task Group's key observation was that the roles and responsibilities of the Transportation Command (TRANSCOM) and Defense Logistics Agency (DLA) are still not clear which leads to a lack of clear identification of decision-making authority. Therefore, the organizations are managing by consensus, thus limiting operational and management efficiencies. In response to this observation, the Task Group recommended three solutions: (1) the Department define and communicate enterprise goals in order to drive enterprise alignment of initiatives, (2) the Department clearly define not only responsibilities but also authorities for all players in the DoD supply and distribution processes, and (3) the Department allocate responsibility and authority to set direction, design, and oversee progress, and make necessary decisions to carry out DoD's agreed-upon supply chain management strategy and achieve enterprise goals. Ms. Tina Jonas asked if the Task Group quantified the amount of savings to be recognized through efficiency and Ms. Barrett responded that the Task Group did not seek to quantify the recommendation. Ms. Jonas also suggested that perhaps logistics should be added to the agenda of the Deputy's Advisory Working Group (DAWG). After receiving the Task Group's presentation and recommendations, the Board approved the recommendations.

The public session was adjourned by Kelly Van Niman, at 8:45 AM.

BOARD SESSION

Following the Public Session, the DBB met in an administrative session from 9:00 AM to 12:30 PM during which time the Board received update briefings from Department leaders and the Board discussed their work plan.

DBB BRIEFING TO THE DEPUTY SECRETARY OF DEFENSE

Beginning at 12:30 PM, the DBB presented its recommendations to Deputy Secretary Gordon England. Mr. England requested each Task Group to follow-up with the appropriate senior leader and also shared his insights on future topics for the Board.

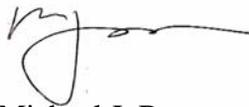
BOARD SESSION

From 1:45 PM to 3:30 PM, the Board received further update briefings from Department leaders.

ADJOURNMENT

The meeting was adjourned by Michael Bayer, at 3:30 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