



QUARTERLY MEETING NOTES

April 17, 2008

The Defense Business Board (DBB) held its quarterly meeting on April 17, 2008 at the headquarters for U.S. Transportation Command (TRANSCOM), which is located at Scott Air Force Base.

DBB Members present:

Michael Bayer (Chairman)
Fred Cook (Vice Chairman)
Barbara Barrett
Henry Dreifus
Mel Immergut
Madelyn Jennings
Bruce Mosler
Philip Odeen
Bill Phillips
Mark Ronald
Atul Vashistha
Dov Zakheim

Additional Public Session Attendees:

Vice Admiral Ann Rondeau – TRANSCOM (TCDC)
Rear Admiral Mark Hartichek – TRANSCOM (TW5/4)
Lance Carpenter – TRANSCOM (JIACG)
Lance Davidson – TRANSCOM Protocol
Hilary Evers – TRANSCOM J3
Craig Koontz – TRANSCOM (PA)
William McColley – TRANSCOM (TCDC-A)
David Rodriguez – TRANSCOM (J5/4-SP)
Scott Ross – TRANSCOM (PA)
Warren Wright – Gallup Organization

DBB Staff in attendance:

Phyllis Ferguson, Executive Director
Kelly Van Niman, Deputy Director
CAPT Dave Knapp, DBB Military Assistant
Stephan Smith, DBB Consultant

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BOARD SESSION

The Defense Business Board's (DBB) quarterly meeting began at 9:00 AM¹ at Scott Air Force Base (AFB) with an Administrative Work Session. Michael Bayer, the DBB's Chairman, began the session by providing opening remarks, introducing the new DBB members (Phil Odeen, Dennis Hightower and Bruce Mosler), and leading a brief overview of the day's agenda.

The DBB reviewed the DBB's 2007 accomplishments and 2008 goals. Ongoing Task Groups presented updates on their work plans, and the members discussed future potential work topics that would be of value to the incoming business management team of DoD. The DBB had a working lunch where they continued to discuss work topics.

PUBLIC SESSION

The working lunch was followed by the meeting's Public Session, and the DBB deliberated and discussed the task group report below. Kelly Van Niman, Designated Federal Officer for the DBB opened the Public Session and Mr. Bayer, Chairman of the DBB provided opening remarks and expressed gratitude to the staff at US TRANSCOM for the support they provided.

Tooth-to-Tail Task Group

Henry Dreifus, Co-Chairman of this task group, presented the final report. He began the briefing with an overview of the task group's membership and noted that its primary objective was to provide actionable recommendations that would result in strengthening the combat force structure while reducing the Department's infrastructure. Specifically, the task group focused on opportunities for military to civilian conversion, core competencies and noted that the task group did not identify any specific opportunities for divestiture² of non-core activities opportunities.

He also highlighted that the task group observed that defining "tooth" and "tail" has become a challenge because irregular and asymmetrical warfare blur the line between "tooth" and "tail."

The task group concluded that
"Tooth" is *generally* considered the resources or forces employed to perform core missions," and "Tail" is *generally* considered the resources or infrastructure used to manage and support those forces.

Premise: "Tail" is causing the "tooth" to decrease

Alignment

- Alignment of Defense Human Capital to long-term strategy is unclear

Accountability

- The Department is spending approximately **\$670 Billion** per year and has difficulty sustaining a force of 200,000 in the Middle East

Efficiency

- Projected budget reductions will require targeted overhead reductions

The task group evaluated the current and prescriptive states of the DoD enterprise by: conducting interviews with current and former DoD officials; comparing private sector benchmarks on best practices; soliciting perspectives from academia; and reviewing existing literature and data. In addition, the task group assessed several current management tools employed by DoD.

¹ All times referenced in these meeting notes are Central Daylight Time.

² Divestiture is the elimination of a government requirement for a commercial activity

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The task group observed that 42% of DoD's budget goes to infrastructure (commonly referred to as "tail"). Also, the task group noted that the current tools for measuring the alignment and efficiency of DoD—many of which are mandated by law—are irrelevant to today's challenges, and ineffective in managing the "tail" and result in diminished alignment and accountability of the organization and workforce. The task group noted that the current metrics are historical and not strategic or proactive in nature.

The task group also observed that DoD's regulatory framework only permits 1:1 manpower conversions, while the private sector leverages technology to achieve better than 1:1 ratios in personnel conversions. The current metrics are also weak on tracking implementation (e.g., scorecards) and are not guided by business rules/best practices, such as incentives, cost accounting, and risk management. The results of the task group's work were recommendations to help DoD create a more aligned, accountable and efficient organization.

To align the "tail" to the "tooth", the task group recommended that the Secretary of Defense articulate an enterprise vision and associated goals to horizontally integrate and align Department strategies and operations. This would allow the Secretary to create and lead a culture of alignment and performance directly linked to his/her vision. The enterprise vision and goals should be widely communicated across the Defense community, including contractors, the industrial base, Congress and other stakeholders. The task group also recommended DoD monitor the alignment of departmental human capital plans to enterprise goals (e.g., (1) talent map the workforce to the enterprise goals, (2) identify leaders early and track their migration, (3) mandate an appropriate rotation strategy, and (4) baseline, track & analyze achievement of workforce engagement and goals).

To hold the "tail" accountable to the "tooth," the task group recommended that DoD aggressively address waste within the Department, create financial transparency, measure performance against the enterprise goals, and safeguard and strengthen the A-76 Competitive Sourcing process. With respect to the A-76 process, the task group advised that the Office of Management and Budget should require re-compete awards, award "best value" versus "lowest cost" (e.g., apply equal cost standards), and direct federal agencies to monitor performance (via Letters of Obligation(scorecards)).

To drive efficiency in the "tail," the task group focused on the workforce and recommended that DoD create incentives and reward the right performance. Specifically, DoD should (1) consider expanding "Shingo" Lean award competitions across the enterprise, (2) employ BRAC-like incentives more broadly, and (3) utilize NSPS and SES performance awards to reward prudent risk taking. In addition, the task group recommended that DoD seek innovative technology to achieve better than 1:1 conversion ratios and mandate activity-based costing.

DBB Chairman, Michael Bayer, asked the public session attendees if they had any questions and comments and none were presented. The DBB members present at this session discussed the task group's recommendations and unanimously concurred with them (without changes). Following the discussion and vote, Ms. Van Niman concluded the Public Session at 1:45 PM.

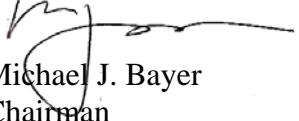
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ADJOURNMENT

Mr. Bayer adjourned the DBB's April 17, 2008 quarterly meeting at 1:50 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