



MINUTES OF THE QUARTERLY BOARD MEETING
DEFENSE BUSINESS BOARD
JULY 22, 2010

The Defense Business Board (DBB) is a federal advisory committee within the Department of Defense (DoD) pursuant to the Federal Advisory Committee Act of 1972, the Government in Sunshine Act of 1976 and other appropriate federal regulations. The DBB meets quarterly and held its third public session for the fiscal year 2010 on July 22, 2010 from 9:00 AM to 9:45 AM.

DBB Members Present

Amandi, Fernando
Bayer, Michael (Chairman)
Brown, Owsley
Cohen, Bonnie
Goodman, John (Vice Chairman)
Gross, Pat
Hamid, Wahid
Immergut, Mel
Jennings, Madelyn
Levin, Lon
Odeen, Philip
Punaro, Arnold
Ronald, Mark
Spencer, Richard
Stein, Bobby
Toll, Bob
Vashistha, Atul
Zoeller, Jack

Also observing were Gene Dodaro, Acting Comptroller General for the Government Accountability Office (GAO), John O'Connor (DBB Consultant), Janet St. Laurent (GAO), Leigh Warner (DBB Consultant).

Also observing were **DBB Senior Fellows:**

Albert, Neil
Barrett, Barbara
Phillips, Bill
Zakheim, Dov

DBB Staff in attendance:

Ferguson, Phyllis, Executive Director
Van Niman, Kelly, Deputy Director
Bohn, Michael (CAPT, USN) DBB Military Assistant
Lewis, Ron (COL, USA) DBB Military Assistant
Duffy, Debora, Staff Assistant



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Spivey, Anthony, Contractor
Bisett, Christopher, Contractor
Catherine Whittington, Intern

Public Session Attendees:

Appleby, Chris, Office of the Secretary of Defense (OSD) Directorate Administration & Management, Organizational and Management Planning
Bennett, John, *Defense News*
Elzea, Jennifer, OSD, Public Affairs
Etherton, Jon, Etherton & Associates
Hartlage, Bree, Chief of Naval Operations (CNO) Executive Panel (NOOK)
Rauch, Donald, LCDR, CNO's Executive Panel
Tinon, Roxana, *The Hill*

PUBLIC SESSION

Copies of the report will be available at the DBB website (<http://dbb.defense.gov>).

At 9:03 AM Mrs. Phyllis Ferguson, the Designated Federal Officer officially opened the public session by providing opening remarks and introducing the public guests to this session. Mr. Bayer provided a brief greeting.

9:05 AM Reducing Overhead and Improving Business Operations

Mr. Arnold Punaro, the Task Group Chair, presented the draft findings and recommendations of the Task Group, charged with making recommendations on options to materially reduce the Department's overhead and increase the efficiency of the Department's business operations. Mr. Punaro presented specific examples of how the Secretary's guidance to tackle the Department's overhead is not just a good business decision, but an imperative to allow DoD's resources to obtain maximum combat power.

Mr. Punaro covered four major themes surrounding the issue of overhead: the Department's failure to establish adequate controls to keep overhead in-line relative to the size of the warfight; the Department's approach to apply even more personnel to overhead work; the Department's inclination to use contractors for the majority of this overhead work, the cost of which is buried in Operations and Maintenance accounts; and finally the Department's use of military personnel to perform both inherently governmental and non-inherently governmental work that could more appropriately be assigned to DoD civilians.

Mr. Punaro presented four suggestions from the Task Group to kick-start a disciplined review of the Department's overhead: 1) track and control head counts in the Office of the Secretary of Defense (OSD), the Joint Staff and the Combatant Commands, as well as, the Military Departments; 2) eliminate organizational duplication and overlap in the area of shared



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services such as public affairs, legislative affairs, legal affairs and personnel; 3) eliminate and/or downsize overlapping Combatant Commands or OSD organizations, such as Joint Forces Command and OSD/Networks and Information Integration; and 4) curtail all indirect spending, such as duty station moves, travel and conferences, and modify the end-of-year “use or lose” policy that only promotes last minute, wasteful spending. (Mr. Punaro’s full presentation can be found on the DBB website.)

Mr. Bayer invited comments from the Board. Mr. Zakheim said that most reform initiatives are like quicksand—they disappear quickly after they are proposed. Furthermore, he said that Mr. Punaro’s report has removed the “I don’t know” excuse that has traditionally been given.

Mr. Goodman stated that the final slide has identified excellent goals for reform and that the Department needs to focus on the Return on Investment over the next one to three years. Mr. Punaro agreed, and added that the DoD is “handcuffed” by Congressional demands, and that it is important to initiate changes now.

Mr. Ronald quoted a CEO who said “I am making changes for the benefit of my successor’s successor,” noting that it is urgent to make decisions today because the benefits will come in the long term.

Mr. Vashistha asked “How do we make the culture change? Even if we are able to find the \$7 Billion in savings, how do we create a culture of savings?” Mr. Amandi agreed stating that cultural change was at the root of DoD’s critical success factor. Each echoed the need for actionable process and change management recommendations in the DBB’s October final report.

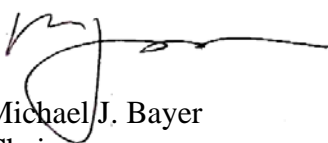
Mr. Dodaro suggested the DBB’s Overhead Task Group look at the GAO’s list of DoD High Risk Areas. He said GAO has identified many areas of duplicated support in these areas.

Mr. Bayer asked for a motion allowing these teams to take the next step in their research, and approve their initial recommendations. The response was unanimous approval.

ADJOURNMENT

Mr. Bayer adjourned the DBB’s July 22, 2010 public session at 10:00 AM.

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


Michael J. Bayer
Chairman
Defense Business Board