

DEFENSE BUSINESS BOARD



Applying Best Practices for Corporate Performance Management to DoD

Task Group Update

January 24, 2012

Overview

Impetus for Study

The Department currently faces an extraordinary confluence of management challenges, mounting costs, and budget reductions, while continuing to provide for the national defense

Deliverables

Evaluate how successful executives of large and complex corporations plan, implement, and maintain strong performance, especially during periods of reduced resources and/or significant changes. Identify strategies, practices, and performance metrics which could be used by DoD leadership

Task Group

Mr. Joe Wright (Chair), Mr. Phil Odeen, Mr. Richard Spencer, Mr. Bobby Stein, Mr. Pat Gross, Mr. Fred Cook, Mr. Bill Phillips, Ms. Kelsey Keating (DBB Staff Analyst) and CDR Matthew Duffy, USN (DBB Military Assistant)

Our Tasking

- The Terms of Reference include the following:
 - What procedures, practices, and metrics are used by leading private sector companies to manage/oversee their performance during/after a period of change?
 - How does the private sector integrate performance monitoring processes with their ongoing budgeting process and their incentive structures? How could this be applied to DoD?
 - How would DoD use these successful private sector processes, practices, and techniques? What organizations would implement/monitor the processes?
- With reduced DoD budgets a reality, the DBB Task Group will also include recommendations on an organized approach to downsizing as part of an improved management process. The objective is to reduce costs without degrading DoD's capabilities to support modern warfare strategy
- The Task Group views this as an opportune time to shift from “spending management” to “modernized, cost-based management”



Progress

- Reviewed current/past DoD strategic and financial documents and reports/studies from think tanks and government agencies
- Evaluated past downsizing efforts in private/public sectors and 1990s DoD experience to identify practices that resulted in both success and failure
- 57 interviews to date with individuals from the private sector and government, including:
 - Current and former CEOs of Fortune 500 companies with experience in leading successful downsizing initiatives
 - Current and former Secretaries and Deputy Secretaries of Defense
 - Other Departmental leaders past and present
- Interviewees include Frank Carlucci, John Hamre, Gordon England (future interview), Alan Simpson, Erskine Bowles, Wilson Lowery (IBM), David Cote (Honeywell), and Jack Welch (GE)



Next Steps

- Finish remaining interviews with current and former DoD senior leaders
- Continue researching past DoD performance management improvement initiatives
- Examine current DoD practices for activity-based costing
- Plan to present final recommendations at the DBB quarterly meeting on April 25, 2013



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Questions?

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