



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

DEC 22 2012

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference, "Applying Best Business Practices for Corporate Performance Management to DoD"

In today's environment, the Department of Defense (DoD) faces an extraordinary combination of management challenges, budget reductions, and mounting costs, all while continuing to provide for the national defense. To ensure our success, every organizational leader within DoD should diligently seek opportunities to optimize organizational performance using innovative and cost effective management tools.

As DoD's advisory board for providing independent advice on DoD's management and governance, with members who possess a proven track record in the private sector, the Defense Business Board (DBB) is uniquely qualified to provide advice on private sector best practices of relevance to DoD. Therefore, request you establish a Task Group to evaluate how successful, large and complex corporations plan, implement, and manage for peak performance on an ongoing basis and especially during periods of substantial change due to reduced budgets and resources. Your study should identify effective procedures, practices, and associated metrics and recommend which of these might assist DoD organizational leaders. The study should also review examples of federal performance management tools and practices that might enhance DoD's organizational management, such as the Government Performance and Results Act. At a minimum, recommendations should address the following:

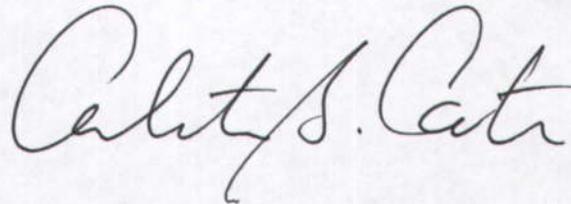
- What key procedures, practices, and metrics are used by leading private sector companies to continually oversee the performance of their major projects, line operations, and organizations on a continual basis and particularly during and after a period of substantial change?
- Which of these practices would best apply to DoD?
- How would DoD implement successful private sector processes, practices, and techniques? How would they be approved, and what would be the appropriate monitoring organization and process?
- 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?

The Offices of the Deputy Chief Management Officer and Director of Cost Assessment and Program Evaluation will serve as DoD liaisons for this study and provide technical assistance, as needed. The DBB's recommendations will be submitted to me no later than January 24, 2013.



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As a subcommittee of the Board, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, Federal regulations, and DoD policies and procedures, this Task Group will not work independently of the Board's charter and will report its recommendations to the DBB for full deliberation and discussion in open session. The Task Group does not have the authority to make decisions on behalf of the Board, nor can it report directly to any Federal officer who is not also a Board member. The Task Group will avoid discussing "particular matters" within the meaning of section 208 of title 18, U.S.C.

A handwritten signature in cursive script, reading "Carl S. Cate". The signature is written in dark ink and is centered on the page.

cc:
Deputy Chief Management Officer
Director, Cost Assessment and Program Evaluation