



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

MAY 26 2013

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference, "Addressing Major Business Issues Facing the Department in the 2014 Quadrennial Defense Review"

The Quadrennial Defense Review (QDR) is the comprehensive study by the Department of Defense (DoD) that analyzes strategic objectives and potential military threats. As stipulated in the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1997, the QDR is to be conducted every four years, and its publication is required to coincide with the issuance of the next year's budget request. Furthermore, Congress has already created the National Defense Panel to assess the 2014 QDR recommendations.

The QDR provides critical guidance on how the nation's defense force is shaped and employed. DoD will draft the 2014 QDR at a time when DoD faces an extraordinary combination of management challenges, budget reductions, and mounting costs. This QDR should reflect the growing influence of external business issues.

As the DoD's advisory board for recommending private sector best business practices, the Defense Business Board (DBB) is directed to conduct, through a DoD established Task Group, a study to identify and assess the major business issues that the Department likely will face through the period of the next QDR. I further request that the study identify potential strategies that the 2014 QDR should consider to address these issues. The Task Group should consider the trends in the following areas: macroeconomic environment; technology; energy, resource use, and availability; personnel and health care costs; and information technology. At a minimum, the study should address the following questions:

- What are the major business issues that the DoD and the QDR should consider?
- How will these issues affect DoD?
- Are there any existing, cost-effective measures that DoD can implement to mitigate these issues?
- What successful private sector processes, practices, and techniques can DoD use to address these issues?
- How can DoD best implement these processes, practices, and techniques?

The Office of the Under Secretary of Defense for Policy will serve as the primary DoD liaison for this study and provide technical assistance, as needed.



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As a subcommittee of the DBB, this Task Group must comply with 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 shall not work independently of the DBB's charter and shall report its recommendations to the DBB for full deliberation and discussion. The Task Group does not have the authority to make decisions on behalf of the DBB, nor can it report directly to any Federal officer or employee. The Task Group will avoid discussing "particular matters" with the meaning of section 208 of title 18 U. S. Code.

A handwritten signature in black ink, reading "Ashton B. Carter". The signature is written in a cursive style with a large, prominent initial 'A'.