



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

JUN 17 2014

MEMORANDUM FOR CHAIRMAN, DEFENSE BUSINESS BOARD

SUBJECT: Terms of Reference - "Guiding Principles to Optimize DoD's Science and Technology Investments"

The Department of Defense (DoD) spends about \$12.0 billion annually on science and technology (S&T). This funding is essential for building the knowledge and technology base for future DoD capabilities and is the source for critical "leap-ahead" technologies that advance DoD's warfighting capabilities.

Since the Defense Reform Initiative in the 1980s, DoD has increasingly relied on its contractor base to perform its research and development (R&D). This practice may lead to the unintended consequence of ignoring areas uniquely important to DoD. Additionally, DoD's R&D budget is projected to decrease commensurate with overall defense budget reductions resulting from the Budget Control Act of 2011. The downward trend in the size of DoD's R&D investment as a portion of gross domestic product compels DoD to investigate leveraging investments made by the larger economy. Another consideration is the scale of R&D performed by others in areas where DoD is not engaged or does not have the requisite workforce or infrastructure. The private sector, universities, and others are aggressively pursuing emerging technologies, possibly causing DoD to lag behind the larger R&D community.

Given the anticipated government spending reductions and increased investment from private sector, the DoD needs a portfolio management strategy and the right tools to ensure its R&D funds are directed to achieve maximum benefits for the Department. To inform this effort, I am establishing a Task Group under the Defense Business Board (DBB), DoD's advisory board tasked with providing independent advice and recommendations on best business practices. The DBB Task Group will conduct a study with the objective of reviewing the management processes used by companies and organizations, known and accepted for world-class innovation, to make decisions to optimize their S&T investments and the processes they use to forecast and plan for future R&D. The results of the study will be given to the Secretary of Defense following the DBB's October 2014 meeting and will address:

- Business decisions (e.g. R&D projects, capital investment, workforce) resulting from emerging S&T and how the decisions vary across the following types of organizations:
  - Global 500 corporations;
  - Venture capital and private equity firms;
  - Technology startups; and
  - Universities and research centers
- How can DoD learn from outside R&D investment best practices to better direct and leverage basic research funds to benefit the defense mission;



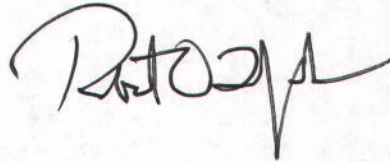
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- How can DoD better invest in R&D to attract fledgling technology development companies that focus on emerging capabilities?

In accordance with DoD policy, Ms. Roxanne Decyk and Messrs. Philip Odeen, Howard Cox, Jr., and Jack Zoeller are designated as members of the Task Group, for the life of this study. Mr. Odeen is also designated as the chair of the Task Group.

As a subcommittee of the Board, and pursuant to the Federal Advisory Committee Act of 1972, the Government in the Sunshine Act of 1976, and other appropriate federal statutes and regulations, this Task Group shall not work independently of the Board's charter and shall report its recommendations to the full DBB for public deliberation and approval. The Task Group does not have the authority to make decisions on behalf of the Board, nor can it report directly to any federal representative. The members of the Task Group are subject to 18 US Code Section 208, which governs conflicts of interest.

A handwritten signature in black ink, appearing to read "Philip Odeen". The signature is stylized and cursive, with a large initial "P" and a long, sweeping underline.