

DEFENSE BUSINESS BOARD



Fostering an Innovative Culture Through Corporate Engagement and Partnership

July 23, 2015

Agenda

- Bottom line up front
- Responding to the Defense Secretary's call for institutional change
- Observations & Recommendations
- Future Opportunities
- Conclusion
- Task Group Membership
 - Chair Dov Zakheim
 - Member Nancy Killefer
 - Member Jack Zoeller
 - Military Representative Captain Shelby Mounts, USN

Bottom Line Up Front

- Fast to launch with maximum impact inside and outside the Department
- Three existing programs offer tremendous opportunity to “jump start” culture change inside DoD
 - The Navy’s Leading Innovation program increases Flag officer and Senior Executive Service (SES) exposure to emerging private sector technology and business thought leadership
 - The Secretary of Defense Corporate Fellows Program enhances deep engagement with world class enterprises for Colonels/ Captains (O-6s)
 - Expanding the Information Technology Exchange Program into an in-bound Fellowship increases private sector understanding of the Department’s operations, people, and challenges
- These programs will significantly accelerate innovation in the Department.



Responding to the Secretary of Defense's Call for Institutional Change

- The pace of global change is accelerating. The Defense Innovation Initiative (DII)* calls for the Department to pursue innovative ways to sustain and advance our military superiority and improve business operations
- The Defense Business Board has been asked to consider actions which can be quickly implemented to increase DoD's communication with, knowledge of, and access to innovating companies and entrepreneurs**

"I believe that we in the Pentagon – to stay ahead – need to change and to change we need to be open."

Ashton Carter, Secretary of Defense April 2015

* Secretary of Defense memo on The Defense Innovation Initiative dated 15 Nov 2014

** Deputy Secretary of Defense memo Terms of Reference – Fostering an Innovative Culture through Corporate Engagement and Partnership dated 22 Jun 2015



Responding to the Defense Secretary's Call for Institutional Change (cont)

- Results will require different thinking at all levels in the Department
 - Top leadership is “all in”
 - Driving change into the supporting levels will be key
- We focused on
 - Senior management (1-3 star Flag officers and SES equivalents) to drive the change
 - Middle management (O-6s and equivalent private sector managers) to implement and sustain progress

Leading Innovation - Observations

- The Defense Innovation Initiative* calls for re-thinking leadership development practices with a goal to accelerate innovation
- The Department devotes substantial time and resources to learning programs to develop Flag officer strategy and operational warfighting skills, but not for innovation
 - Pinnacle (3-star Flag officers)
 - Capstone (1- star and 2-star Flag officers)
- Innovative executive training examples
 - Leading Change and Organizational Renewal, Harvard and Stanford collaboration**
 - Executive Development Course, General Electric Corporate University***
 - Leading Innovation course, Naval Post Graduate School****

* Secretary of Defense memo on the Defense Innovation Initiative dated 15 Nov 2014

** <http://www.gsb.stanford.edu/exed/lcor>

***<http://knowledge.wharton.upenn.edu/article/how-ge-builds-global-leaders-a-conversation-with-chief-learning-officer-susan-peters/>

**** http://www.navy.mil/submit/display.asp?story_id=74226



Leading Innovation – Observations (cont)

- The Leading Innovation course* and its predecessor, the Revolution in Business Practices course at the Naval Post-Graduate School
 - A single example of a successful program to teach and foster innovative thinking among senior military leaders
 - Participants engage with high powered thinkers, C-suite leaders, and other groups outside their normal association
 - A lasting, positive impact on participants' future roles, to include thinking outside the box and managing change
- BUT
 - Small attendance; not across DoD
 - Effect diminished over time
 - Not mandatory
 - Attendees rank has decreased to 1-star Flag officers and O-6s

* http://www.navy.mil/submit/display.asp?story_id=74226

Leading Innovation – Observations (cont)

Top lessons learned

- Requires a highly capable and independent facilitator
 - Challenges participants thinking
 - Provides “safe zones” for “stretch conversations”
- Conducting program away from normal duties and hierarchies of the participants increases openness to the learning objectives and fosters valuable informal networks
- Mandatory attendance enforced by Vice Chief of Naval Operations
- Diverse set of participants helps to break down stovepipes both during and after the course
- Two weeks is the optimal course length
- Learning depth significantly increases with follow-on interaction

Leading Innovation - Recommendations

- Broaden and establish the Leading Innovation program as a signature part of the Defense Innovation Initiative; scale across the Department
- Mandate and enforce for 1-star through 3-star Flag officers and SES equivalents
- Develop multiple venues in addition to the Naval Post Graduate School
 - Away from military concentration areas
 - Accommodate more participants
 - Tap into a wider cross-section of innovative organizations and thinkers
- Select a highly capable dual-role leader and facilitator for each location and delegate control of program design



Leading Innovation - Recommendations (cont)

- Selection and timing of Joint Flag participants should be led by the Vice Chairman of the Joint Chiefs of Staff; by Vice Chiefs of Services for Service Flag assignments
- Selection and timing of SES participants should be led by Under Secretary of Defense (Personnel and Readiness) for OSD, Joint and Agency assignments; by Service Under Secretaries for Service assignments
- Program staff and budget TBD
- Overall coordination would typically be performed by a Chief Learning Officer or equivalent in a large, innovative organization

Secretary of Defense Fellows - Observations

- The Secretary of Defense Corporate Fellows Program was established in 1994 as a long-term investment in transformation*
- Currently ranges from 8-16 officers annually
 - One year immersion in select organizations known for long-range planning, innovation, and implementation of new technologies
 - Credit given for senior service college, but no degree or Joint credit
 - Growth in participation has been among functional, Reserve, and Guard officers, not operational or line officers
 - Government civilians do not participate in the Fellowship
- Fellows become a cadre of future leaders trained at external organizations to drive internal reviews

*<http://dcmo.defense.gov/corporate-fellows-program/>

Secretary of Defense Fellows - Observations (cont)

- Fellowship can foster long-term retention and commitment from individuals
 - Exposure to top leaders and thinkers; robust network
 - Development of ability and willingness to
 - Think critically from diverse perspectives
 - Communicate, listen, and question differently, including with different groups
 - Seek to collaborate and innovate solutions to hard problems
 - Functional specialties gain in-depth understanding of leading-edge practices (Acquisition, Communications, Financial Management, Human Resources, Logistics/Supply)
 - Motivational tool and proving ground for the individual
 - Low cost to the Department
- Program suffers from lack of formalized mentoring

Secretary of Defense Fellows - Observations (cont)

- Fellowship offers organizational value if scaled up
 - Provide a cadre of trained, trusted, cross-organization agents of change; an internal consultancy
 - Benchmarking of organizational, innovation, and technology practices*
 - Top talent pool for future leaders
 - Enduring access to world class partners and thinkers
- Down payment toward cultural transformation

“The Department of Defense is facing ... pressures [that] demand a cultural adaptation which values and rewards sound, innovative thought, facilitated by partnering with experts outside our traditional ecosystem, in order to improve the speed of our problem solving ability and enhance capability implementation.”

Robert Work, Deputy Secretary of Defense June 2015

*<http://dcmo.defense.gov/corporate-fellows-program/>

Secretary of Defense Fellows - Recommendations

- Re-brand as Secretary of Defense Fellowship with personal sponsorship akin to Presidential Innovation Fellows
 - Re-invigorate relationship with Secretary of Defense
 - Implement “Fellow for life” program to create a network of virtual consultants and trusted advisors (quick reach to experts with common experience and language but diverse perspectives)
 - Expand Fellowship to include government civilians of equivalent career potential
 - Mandate external tour requirement to compete for Flag officer or SES selection (Legislative and Service Fellowships, Training With Industry, etc)
 - Assign oversight of Fellows program to Under Secretary of Defense (Personnel and Readiness)
- Implement a structured mentoring program for Fellows

Secretary of Defense Fellows – Recommendations (cont)

- Under Secretary of Defense (Personnel & Readiness) responsibility
 - Establish small but capable team to strategically lead and manage the program
 - Significantly expand scope to include wide portfolio of key partners
 - Detail Fellows to partnership building assignments at target companies and organizations
 - Develop promotion guidance supporting external engagement tours like the Fellowship
 - Coordinate with Joint Staff to identify high-impact billets for Fellowship graduates*
- Joint Staff responsibility
 - Require coding of high-impact billets for Fellowship graduates*

* Deputy Secretary of Defense memo on Utilization of the Secretary of Defense Corporate Fellows Program dated 11 April 2006

Secretary of Defense Fellows – Recommendations (cont)

- Institute a cross-organizational network program to connect external engagement efforts with senior leader advisory groups
 - Combatant Commander and Service Chiefs Advisory Groups
 - Defense Innovation Unit Experimental
 - Office of Net Assessment
 - Strategic Studies Groups
 - Service Fellowships
 - Quadrennial Defense Review (as applicable)
- Connect Fellows with existing innovation, technology, academic, and business centers of excellence around the country

External Fellows - Observations

- Business is interested in partnering across the Department
- There are existing authorities and efforts in government
 - Information Technology Exchange Program (ITEP) with DoD Chief Information Officer*
 - Presidential Innovation Fellows**
- Creating an in-bound Fellowship program
 - Innovative organizations and key partners
 - Hand-picked, O-6 equivalent senior experts
 - Exchange of ideas, best practices and challenges helps both sides

* Department of Defense Chief Information Officer memo on Information Technology Exchange Program dated 20 May 2014

** <https://www.whitehouse.gov/innovationfellows#>

External Fellows - Recommendations

- Expand on ITEP example to bring senior experts into the Department for a “reverse Fellowship”
- Include external Fellows under re-branded Secretary of Defense Fellows Program to significantly expand the partnering power of the program
- Distribute across DoD’s institutional and operational elements to serve as advisors and consultants
 - Assign traditional industrial base partners to warfighting commands; exposure to operational priorities, challenges, and leaders
 - Assign non-traditional partners to institutional Staffs and Agencies to expose them to business processes, challenges, and leaders

Examples of Synergy

- Combine re-branded Secretary of Defense Fellows and external Fellows under one program
- “Fellows for life”* mentor and engage with new cohorts to extend informal networks and enrich the experience for all
- “Communicate success” by implementing key communication themes to increase buy-in and impact on innovative culture

* <http://www.schweitzerfellowship.org/fellows-for-life/>

Future Opportunities

- Develop a hybrid program to
 - Combine Eisenhower School Joint education with a top-quality Executive MBA and the Secretary of Defense Fellows experience in one assignment
 - Achieve scale with multiple cohorts while capturing more value through small group interactions
 - Articulate potential for small extension of existing education timeline to achieve valuable increase in individual development
- Study and recommend best practices to remove barriers to innovation and partnering in traditional Defense industrial base firms
- Study and recommend best practices to establish virtual consultancies in the Department that engage and leverage internal talent

Conclusion

You have asked the Department to become more innovative, quickly. We have shown you some near-term options to accelerate the culture change required to achieve lasting change in the Department. For a modest near-term effort and relatively small investment you can adopt these recommendations and implement programs that punch well above their weight and endure well into the future.

These recommendations represent a small but significant step toward cultural transformation in the Department of Defense.

Interviewees

- Doug Beck – Vice President, Apple Inc
- Eric Briggs – Director, Secretary of Defense Corporate Fellows Program
- The Honorable Richard Danzig – Former Secretary of the Navy
- Barry Frew – Frew Associates, former Director of the Revolution in Business Practices course taught at the Naval Post Graduate School in Monterey, CA
- Vice Admiral (ret) Lee Gunn – President of the Institute of Public Research and former Deputy Chief of Naval Personnel
- The Honorable Jerry Hultin – Senior Presidential Fellow at NYU, former Under Secretary of the Navy 1997-2000 during the US Navy's Revolution in Business Affairs
- Robert Roffey – Director, Cisco Systems Inc, currently on Information Technology Exchange Program (ITEP) assignment in the Department of Defense, Office of the Chief Information Officer (CIO)
- Matt Spence – Former Deputy Assistant Secretary of Defense, Middle East Policy and co-founder of the Truman National Security Project
- Brigadier General (ret) Scott Stapp – Vice President, Northrup Grumman Corporation
- David Yeh – Policy Advisor, White House