

DEFENSE BUSINESS BOARD

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Jun 04, 2019

Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



Integrated Review Team on Defense Acquisition Industry-Government Exchange

Overview

- Purpose
- IRT Membership
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- Study Plan
- Research
- Previous Work
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Purpose

Provide the congressional defense committees and the Under Secretary of Defense for Acquisition & Sustainment specific and detailed recommendations for any legislation, or the amendment or repeal of regulations, as well as non-legislative approaches on Defense acquisition industry-government exchange as directed in § 883 of the 2019 National Defense Authorization Act.



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Expert Advice From members of three Secretary of Defense Advisory Boards

Study Tasks

- **Task 1** - Review legal, ethical, and financial disclosure requirements for industry-government exchanges.
- **Task 2** - Review existing industry-government exchange programs:
 - Determine if the programs are useful to the individuals selected,
 - Determine if the Service adequately utilizes the “Graduates” once they exit the program,
 - Determine if they are of sufficient size to matter to the Department, and
 - Determine if there is a better organizational model.
- **Task 3** - Review how the Military Departments address legal, ethical, and financial requirements for members of the reserve components who also maintain civilian employment in the defense industry.
- **Task 4** - Produce specific and detailed recommendations for any legislation, including the amendment or repeal of regulations, as well as non-legislative approaches to:
 - Reduce barriers to industry-government exchange to encourage the flow of acquisition best practices,
 - Ensure continuing financial and ethical integrity, and
 - Protect the best interests of the DoD.
- **Task 5** - Produce additional recommendations for legislation the IRT finds pertinent.

Study Plan

The legislation directs:

- Briefing to congressional defense committees, no later than **Dec 31, 2018**.
- Final report to the congressional defense committees and Under Secretary of Defense for Acquisition and Sustainment, no later than March 1, 2019; adjusted to **June 1, 2019**, following government shutdown.

Administrative Requirements:

- DoD legal and security review of all briefings/reports.

Produce specific, detailed, and actionable **recommendations** for any legislation, including the amendment or repeal of regulations, as well as non-legislative approaches, ... **to reduce barriers to industry-government exchange** to encourage the flow of acquisition best practices...

~FY19 NDAA (Pub. L. 115-232) August 13, 2018

Study Plan

- Interviews (Internal & External to DoD):
 - Senior OSD officials & Service Senior Leaders,
 - Industry executives, and
 - Industry associations.
- Data Calls:
 - Analysis of previous work.
 - Surveys from graduates of current programs within DoD.
- Research focused on:
 - Current state of industry-government exchanges,
 - Revolving door legislation for both senior management positions as well as the middle management level,
 - Incentives/benefits to Industry,
 - Density and placement for desired strategic effect, and
 - Existing Office of Government Ethics (OGE) and Senate Armed Services Committee (SASC) requirements for Senate-confirmed Presidential appointments.

Existing Work on Government-Industry Exchange

- Federal Personnel Exchange Mechanisms Study, NOV 2013. Institute for Defense Analyses (IDA).
- Information Technology: Status and Challenges of Employee Exchange Program Study, DEC 2006. US Government Accountability Office (GAO).
- Selecting Senior Acquisition Officials Study, JAN 2018. Defense Business Board.
- Fostering an Innovative Culture Through Corporate Engagement and Partnership Study, JUL 2015. Defense Business Board.
- SECDEF Executive Fellows Program. Overseen by the Office of the Under Secretary for Personnel and Readiness. The program is a long-term investment and a key part of DoD's strategy to achieve the transformation of our military forces and capabilities.
- Franklin Fellows Program. Overseen by the Department of State. Provides a unique and innovative program that brings outside experts to the Department of State and USAID and allows citizens a chance to serve and to deepen their professional experience.

Existing Germane Work

- Defense Business Board studies:
 - Focusing a Transition - Challenges Facing the New Administration
 - An Assessment on the Creation of USD for BM&I
 - Selection of Senior Officials in the Acquisition Workforce
 - Innovation: Attracting and Retaining the Best of the Private Sector
 - Public-Private Collaboration in the Department of Defense
 - Fostering an Innovative Culture Through Corporate Engagement and Partnership
 - Innovative Culture, Part II: Virtual Consultancies - Engaging Talent
 - Acquisition Workforce Growth and Recommendations for Insourcing
 - Engaging US Business in Support of National Security Objectives
 - Outreach Plan to Improve Communications between the DoD and the Defense Industrial Base
 - Strategic Relationship Model between DoD and the Industrial Base
 - MBA Recruitment

- Defense Science Board studies:
 - Creating a DoD Strategic Acquisitions Platform
 - Understanding Human Dynamics
 - Defense Imperatives for the New Administration
 - Creating an Effective National Security Industrial Base for the 21st Century



Interviews

■ Department of Defense Interviews:

- HON Mark Esper, Secretary of the Army
- HON Richard Spencer, Secretary of the Navy
- HON Heather Wilson, Secretary of the Air Force
- HON Mike Wynne, Former Secretary of the Air Force
- HON Mike Griffin, USD for Research & Engineering
- HON Ellen Lord, USD for Acquisition & Sustainment
- HON James Stewart, USD for Personnel & Readiness
- HON Paul Ney, DoD General Counsel
- Gen Paul Selva, USAF, Vice Chairman, Joint Chiefs of Staff
- HON Kevin Fahey, ASD for Acquisition
- HON Bruce Jette, ASA(ALT) - Army Service Acquisition Executive
- HON James Geurts, ASN(RD&A) - Navy Service Acquisition Executive
- HON William Roper, SAF/AQ - Air Force Service Acquisition Executive
- Mr. Eric Chewning, former DASD for Industrial Policy, now SD Chief of Staff
- Mr. Dana Deasy, DoD Chief Information Officer
- Ms. Lisa Hershman, Acting Chief Management Officer
- Mr. Jim O'Beirne, Special Assistant to the Secretary of Defense for White House Liaison
- Mr. Jose Gonzalez, Director, Office of Human Capital Initiatives OUSD(A&S)
- Mr. Jeff Green & Ms. Dani Irvine, OGC Senior Attorneys for Ethics

Interviews

- Private Industry Interviews:
 - Representatives of the defense and aerospace associations from the National Defense Industrial Association, the Professional Services Council, and the Aerospace Industries Association, as well as individual industry executives.

Significant Actions

- Research and analysis of previous work.
- Questionnaires distributed to Government leaders and Industry executives.
- November - Briefing to the public at the DBB Quarterly Board Meeting (presented and voted on study plan).
- December – Interim study presented to the congressional defense committees.

Background

- America's half century of global dominance and superiority is being profoundly diminished in key areas.
- The diminishment of the U.S. global monopoly in technology, and shrinking share of the Global GDP, coupled with the rise of sophisticated peer rivals present "urgent challenges that must be addressed if the United States is to avoid lasting damage to its National security."
- The U.S. was once arguably the world's technological leader, it is presently in danger of being usurped by China. To add to that significant competitor is a revanchist Russia, which once again has grown to threaten the international order.
- "[T]he United States faces an extraordinarily dangerous world, filled with a wide range of threats that have intensified in recent years."*
- In addition to this global strategic paradigm shift, has come the explosion of second and third order capabilities derived from the ever expanding computational speeds which are revolutionizing every aspect of human endeavor, including warfare.

"Inter-state strategic competition, not terrorism, is now the primary concern in U.S. National security." ~Secretary of Defense James Mattis

* *National Security Strategy of the United States of America 2017*. The White House, Washington, DC. pg 1.

Background

The Changing Character of Warfare

TRADITIONAL FORMS OF WARFARE	EMERGING FORMS OF WARFARE
Targeting of enemy forces	Targeting of enemy perceptions, society
Direct clash of militaries	Remote strikes using standoff precision weapons, robotics systems, and information attacks
Destruction of military personnel and weaponry	Destruction of critically important military and civilian infrastructure
Deterrence by fear of retaliation	Deterrence by fear of escalation
Winning by defeating the enemy on the battlefield	Winning by disrupting the support systems (political, economic, information, etc.) on which the enemy military depends

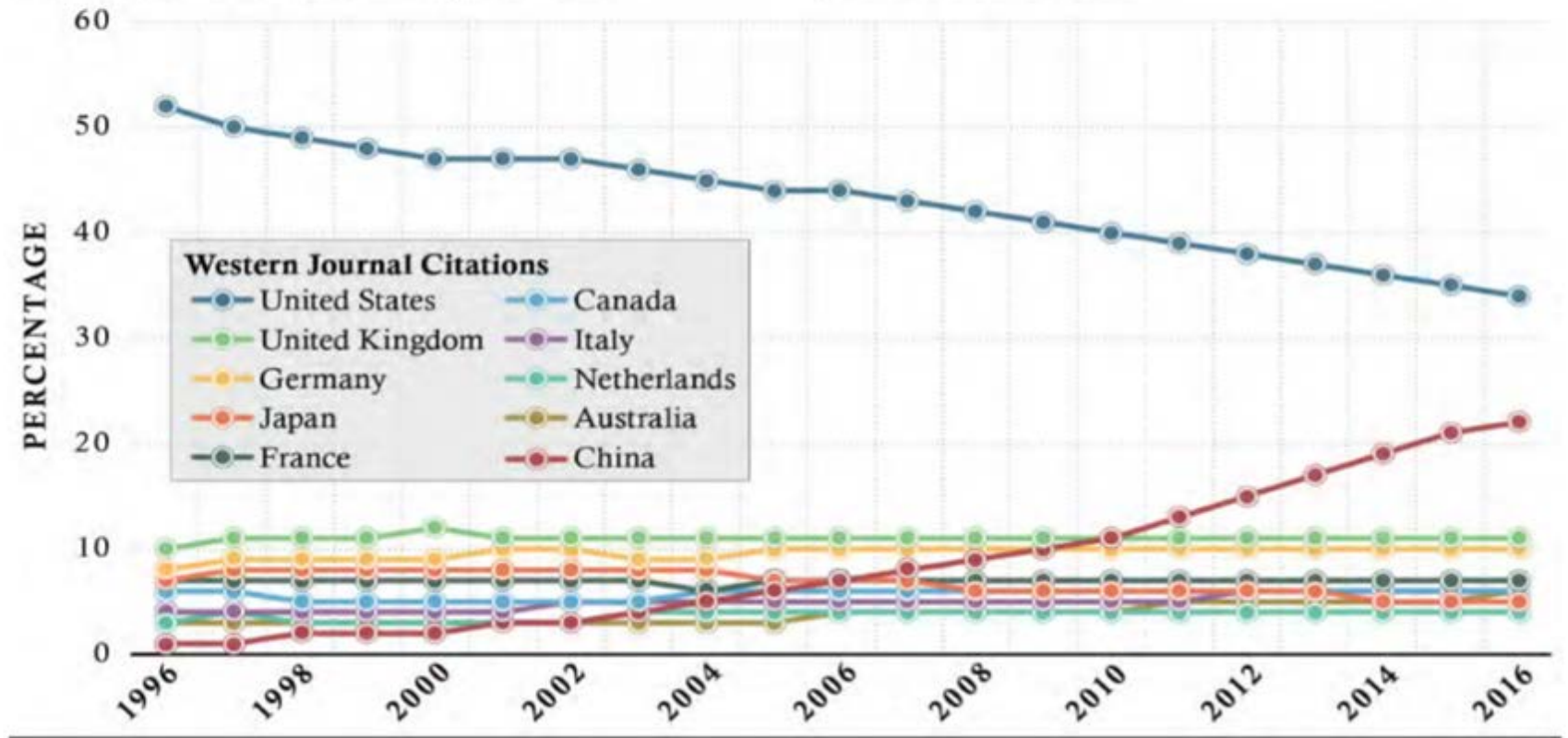


Background

Researchers Worldwide Citing More Foreign and Less US Research

During the past two decades, the US lead in S&T fields has been significantly eroded, most predominantly by China, which is well ahead in several areas, according to an analysis of Western journal publications.

However, the United States maintains an overall lead largely because we are at the forefront of the medical sciences, which account for almost a third of S&T publications worldwide.



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Background

- Extensive Chinese investment in sensitive technologies (guidance systems, AI, and light sensors that aid unmanned aviation systems in particular) could erode or even eliminate America's technological edge, potentially diminishing our ability to credibly defend allies, especially in Asia. Moreover, Chinese investment in high-tech firms could, in many cases, preclude U.S. government or military investment and cooperation with those same companies.



Observations

- Currently there are several programs which offer exchanges, but these are too small, too far removed, seem to be offered in a limited fashion to a limited field of applicants, and appear to be at odds with one another;
 - All of these programs have their individual merits, but without being centrally managed and offered DoD-wide, these programs operate in isolation from each other and may suffer from their own inherent limitations.
- There are many successful individuals who have a desire for public service, yet are inhibited from pursuing it because of the limitations set upon them through such service;
 - The exceptionally intelligent, high performing individuals the Department requires are by definition practitioners, not theorists.
 - Compensation and rewards are distributed in ways and amounts very differently than from the era in which the original ethics rules were created over 50 years ago.
- Currently, public service is highly discouraged by the extant restrictions governing post-Government service activity by senior officials;
 - Post-employment restrictions were designed to prevent technological transfer from within the Department to the private sector, yet no longer serve the purpose for which they were intended.

Observations

- The current divestiture restrictions were created in a far different period, for very good reasons at the time; such constraints are now outmoded by the ways in which the most successful individual's wealth is now derived.
- The regulating of appointees moving in and out of government is a legacy of another era;
 - Post WWII government - particularly DoD - was the center of cutting edge innovation and management,
 - Employment with the Department enhanced the skills of people,
 - People began to be seen as financially benefitting from government service – enriched by the “revolving door,”
 - Trained at DoD expense in national security technologies, they were seen as “cashing in” during subsequent employment in the defense sector,
 - Trained in leadership and management skills, these skills were then sold to the private sector,
 - This was regarded as a problem, and
 - There were also concerns that certain DoD employees could act to influence programmatic outcomes in contracts that would financially effect companies in which they had an interest.

Observations

- Today's technological environment is far different;
 - DoD is no longer the center of cutting edge innovation and management,
 - Amalgamations in the early 90s have shrunk the number of traditional defense companies for which such regulatory measures were aimed,
 - At the same time, the number of regulated contractor companies grew – now 40,000+, to include Kellogg's, McDonalds, and everything in between with effectively no size or ownership minimums, and
 - The managing bureaucracy for all this is huge and expensive.

- The US is no longer the epicenter of innovation;
 - Many (not all) of the really necessary big ideas now lie outside the DoD,
 - Most cutting edge innovation comes from the private sector,
 - Three recent SecDefs were attuned or connected to “Silicon Valley,”
 - The essential traditional defense technologies are being supplemented by ones never imagined,
 - So too, the skills and insights for managerial and technical challenges now are best found outside the DoD and Government, and
 - The Pentagon leadership need to grasp the magnitude of the chasm which separates its internal state of technology and science with the external realities.

Observations

- So is the solution to just hire and fill the gap?
 - Today's government pay is not an incentive,
 - Difficult to hire the requisite expertise and skills through the general schedule,
 - Alternatives must be developed, and
 - Need sufficient numbers hired to produce actual results – not Power Point products.
- The “revolving door” can benefit the Department by working the other way, through DoD bringing in individuals from the private sector to enrich the Department technologically, innovatively, intellectually.
- The military departments do have policies and procedures in place which address legal, ethical, and financial requirements for reserve component members who maintain civilian employment in the defense industry.

Findings

- The Department has significant equities in several critical high technology fields, yet it possesses insufficient expertise in those areas due to the disparity in compensation and the restrictions imposed on service in government.
- High technology fields offer far better career prospects in the private sector than in the DoD, the Department's compensation structures should be altered for such expertise.
- The Department does desire that representatives at all levels have frequent, fair, even, and transparent dialogue with industry on matters of mutual interest.
- The layering of post-employment restrictions has proved to be an inhibitor to many senior executives in the private sector from serving in the Department.

Findings

- The recruitment of high performing individuals has been exacerbated due to the recently imposed two year post-government employment restrictions enumerated in § 1045 of the FY18 NDAA. These restrictions also prohibit an impacted individual from providing internal advice to industry even if there is no representation back to the DoD.
- Talent management techniques in DoD are woefully behind the times, exacerbated by an antiquated hiring process and encumbered by “one size fits all” rules and procedures.
- Several Defense industry-government exchange programs exist, relatively few focus on acquisition: Intergovernmental Personnel Agreement (IPA), Highly Qualified Expert (HQE), and Fellowships:
 - The Secretary of Defense Executive Fellows Program, established in 1995.
 - The Undersecretary of Defense for Acquisitions and Sustainment recently began the Public-Private Talent Exchange Program.
 - The Defense Acquisition University (DAU) is an organizational leader within DoD in the gathering, analysis, and sharing of government and industry acquisition proven practices that improve contract performance.

Findings

- The IRT's observations and findings point to the Department having significant equities in several critical high technology fields; however, it possesses insufficient resident expertise in those areas due to several factors. Robust steps are required to obtain the necessary expertise to restore its technological edge over competitors and rivals. Those current programs offering exchanges should be considered for amalgamation into a broader, more far reaching program, centrally managed, and offered DoD-wide to civilians and military members.

Recommendations

- **DoD: Process/Cultural Change** – As the digital world transitions from emerging to mainstream, the Department should keep pace in developing overall talent capability and resident expertise in areas such as robotics, hypersonic systems, nanotechnology, AI, ML, the Internet of Things, new materials, block chain, new fuels, and virtual reality, etc.
 - The SD should direct DoD senior leaders to immediately perform an enterprise wide assessment inventory of key technologies in which there is a DoD talent shortfall.
 - The SD should also direct these leaders to identify what current and future technologies are needed to remain competitive.
 - Those two tasks should have “Manhattan Project”-like priority.
 - This effort should be measured against what our peer competitors are doing, not simply a chance to say “we need even more...”

Recommendations

- **Congress: Statutory Change** – Create distinct, specialized units, possibly in the Army and Air Force National Guard, or in the reserve components, to directly commission individuals in technology fields such as cyber, quantum computing, big data, hypersonic systems, AI and ML, computer coding, computer science and engineering, financial management, etc.
 - Individuals serving should be unburdened and unencumbered by professional or joint service requirements in a similar manner as health professionals.
 - Establishing a retention/bonus structure to encourage continued participation.

Recommendations

- **Congress: Statutory/Regulatory Change** - The current “one size fits all” approach to ethics regulations fails to appreciate the Department’s unique needs for critical expertise in both acquisitions and technology fields.
 - Congress should examine employing a far more balanced OGE approach for crucial jobs in the DoD.
 - Statute should be crafted to ensure the continuing financial and ethical integrity within all exchange programs.
 - Statute should recognize the unique nature of employment in the Department, and across all federal agencies, and how unnecessarily restrictive post-employment constraints actually endangers National security.
 - The IRT feels the long standing title 18 restrictions satisfactorily cover ethical standards of conduct and “revolving door” considerations.

Recommendations

- **Congress: Statutory Change** - Examine and either eliminate entirely (or loosen considerably) the post-employment restrictions found in section 1045 of the FY18 NDAA.
 - This new statute inhibits internal advice and representation, causing many companies to interpret the law to restrict former military personnel from any involvements with matters associated with DoD even if their potential job does not require any representation back to DoD.
 - Statute greatly deters the types of private sector personnel needed from seeking positions in DoD.
 - Again, the IRT feels the long standing Title 18 restrictions satisfactorily cover ethical standards of conduct, positing that § 971 10 U.S.C. is unnecessarily prohibitive.

Recommendations

- **Congress: Process/Cultural Change** - The SASC imposes its own set of ethics and financial divestiture rules upon DoD presidential appointees which are not extant for any other federal agency and not required by statute or the OGE. These non-statutory requirements are overly restrictive and serve to inhibit service and delay the speed to nominate, confirm, and appoint.
 - Adjusting those unique requirements and procedures in regards to personal holdings divestiture will make service in the Department more attractive to those in the private sector to accept positions requiring highly experienced, technically qualified, proven senior leaders.
 - Blind or generation skipping trusts should be permitted, thus allowing individuals to retain assets, yet remove the conflict of interest issues that could arise.

Recommendations

- **DoD: Process** - The Department should establish a far more wide-ranging, centrally managed, and well-structured public/private consortium with participating companies to define the parameters towards creating a robust Industry – Government exchange program.
 - The program should include:
 - Standardized rules of engagement,
 - Setting specific criteria to participate,
 - Broadening the spectrum of participants,
 - Forming a commitment to participate and create opportunities,
 - Focusing talent management/planning to utilize the employee post-exchange,
 - Identifying objectives for each exchange period/employee,
 - Identifying mentor/coaching both during the exchange and post-exchange, and
 - Defining how the exchange fits into the individual's career development.

Recommendations

- **DoD: Administrative/Cultural Change** - The Department should begin adding significantly more personnel to existing exchange programs. To add greater breadth and depth of programs to bring technology expertise and talent in, DoD should begin:
 - Implementing an alternative pay and compensation structure to make senior acquisition positions more attractive,
 - Mitigating complicated and costly financial divestment requirements that greatly reduce individual and family net wealth,
 - Establishing a new set of rules and procedures that relate to today's ethics landscape, easing the ability to move between the public and private sector, and
 - Establishing meaningful follow-on assignments for those DoD members completing exchange assignments so that the Department can leverage on their recently acquired expertise.

Recommendations

- **DoD: Regulatory Change** - Standardize the management of legal, ethical, and financial requirements for reserve components members who maintain civilian employment in the defense industry.
- Specifically, the IRT recommends synthesizing the existing requirements in DoD 5500.07-R and 5 C.F.R. § 2635 into a single DoD issuance that specifically addresses their potential conflicts of interest.

Recommendations

- **DoD: Budget Change** - The IRT recognizes that the foregoing advice, particularly its recommendation to significantly expand industry – government exchanges, will significantly impact DoD personnel levels, increase budget expenditures, and absorb capital.
- However, absent a laser like focus of resources to maintain, and in some cases restore, the Department's technological superiority over its global adversaries, much of the rest is for naught.

Conclusion

The IRT believes adoption of these recommendations are essential steps in restoring the Department of Defense's competitive edge, not only in the realm of acquisitions, but across numerous critical technological discipline.

We recognize that significantly increasing the breadth and size of industry-government exchange programs may increase DoD's staffing and resource demand overall; the IRT firmly believes that it is well worth the return on investment.

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