



Report to the Secretary of Defense

Task Group on the Role of a Chief Management Officer in the Department of Defense

Report FY05-1

- **Recommendations regarding the establishment of a Chief Management Officer (CMO) type position to manage the day-to-day business operations of the Department**

May 2005

CMO TASK GROUP REPORT

TASK

In support of the Department's ongoing transformation efforts to most efficiently align business operations to support the warfighter, the Deputy Secretary of Defense requested that the Defense Business Board (DBB) form a Task Group to make recommendations to fix the organizational structure of the Department, specifically examining the role of a Chief Management Officer (CMO) or a similar type of position. The Task Group was asked to provide advice on the most effective way to resolve issues related to organizational design, leadership, and accountability and to establish realistic expectations for progress.

Specifically, the Task Group was asked to examine what changes in the Department's governance structure would help identify a senior leader with the authority to manage the day-to-day business operations of the Department while also serving as a focal point for Department-wide business transformation. In addition to this basic task, the Group sought to answer two specific questions:

- Should there be a separate Component Secretary for the defense agencies?
- Could the USD(AT&L) fill the role of the "CMO"?

Task Group Chairman: Robert Hale

Task Group Members: Michael Bayer, Denis Bovin, James Kimsey, Arnold Punaro, Dov Zakheim

Task Group Sponsor: The Deputy Secretary of Defense

Task Group DoD Liaison: The Special Assistant to the Deputy Secretary

Task Group Executive Secretary: Kelly S. Van Niman (DBB, Executive Director)

Note: For the purposes of this report the CMO/Chief Operating Officer (COO) are interchangeable terms.

PROCESS

The management of business operations and business transformation in the Department underwent several changes in 2005. The Government Accountability Office released a report in January 2005 that cited “little tangible evidence of actual improvement” in business operations in part because there was neither a single focal point for management reform nor anyone with sufficient authority and time to watch over and integrate the multiple transformational initiatives.

In February, the Deputy Secretary of Defense at that time, in compliance with Public Law 108-375, Section 332 of the Ronald Reagan National Defense Authorization Act for Fiscal Year 2005, signed out the Charter for the Defense Business Systems Management Committee (DBSMC). The mission of this committee was to advance the development of business operations in support of the warfighter, and to ensure that business transformation goals were coordinated with the Department’s strategic planning. The Deputy Secretary of Defense serves as the chairman of the committee and the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) was appointed as its Vice Chairman.

Consistent with this new legal framework, in March 2005, the Deputy Secretary of Defense transferred program management, oversight and support responsibilities for business transformation to the Under Secretary for AT&L.

With these changes as background, the Task Group considered possible approaches to establishing a CMO/COO position. The Task Group drafted options ranging from the Deputy Secretary of Defense serving as CMO/COO to having dual-Deputies – one focused on management and another focused on warfighting. When considering the Deputy as the CMO/COO the Task Group also developed options for a Business Transformation Executive reporting directly to the Deputy Secretary and managing day-to-day business transformation activities. Under one scenario this individual was a non-career SES; in another scenario this individual was a Senate-confirmed appointee. (See **Appendix A** for the full description of options presented.)

Defense Business Board

The Task Group also considered the appropriate duties for a CMO/COO, using the DBB's Management Agenda for the Department of Defense Report (Report FY04-4) as its foundation. The DBB recommended that the Department, specifically the Secretary and Deputy Secretary of Defense, clearly define the leadership roles and responsibilities for overall management of the Department.

Taking into consideration its prior Management Agenda recommendations and the new management structure(s) for Defense business transformation, the Board deliberated on its recommendations related to the role of a CMO/COO during its May 6, 2005 meeting. Their conclusions were presented to the Secretary of Defense and Deputy Secretary of Defense (see **Appendix B**) later that afternoon.

RESULTS

The DBB concluded that transformational initiatives impact multiple resources and systems and, therefore, require integration and coordination from the top down. The Board agreed that, especially in view of the background of the current Acting Deputy Secretary, the Deputy Secretary of Defense could act as the CMO/COO. The DBB recommended that the desirability of a separate CMO/COO be reconsidered after a year or two of experience with the Deputy Secretary acting in this role. The DBB left it to the Deputy's discretion whether or not to add a Business Transformation Executive.

In a memo dated June 13, 2005, the DBB presented the Secretary of Defense with their recommendation that the Secretary of Defense formally designate the Deputy Secretary of Defense as the leader accountable for Department-wide business transformation (see **Appendix C**). In this role, the Deputy Secretary should be responsible for measurable transformational progress in each of the following areas (listed in a rough order of priority):

- DoD civilian personnel management
- Business management systems modernization
- Implementation of the base closure process

Defense Business Board

- Integrated supply chain management
- Acquisition process reform
- Financial management and auditability

The DBB further recommended that quantifiable objectives for each area of responsibility be developed and cascaded down through the Department to ensure organization alignment.

CONCLUSION

The Secretary of Defense replied to the DBB's recommendations in a memo dated June 23, 2005, in which he advised the Chairman of the DBB that the COO duties recommended by the Board were included in the Deputy's new portfolio.

Respectfully submitted,

Robert Hale

APPENDIX A:
CMO Task Group Report
on
Organizational Options
for
Managing Business Transformation

(May 2005)



Organizational Options for Managing Business Transformation

May 2005



Why Organizational Options?

- Progress has been made on some business reform issues
- But significant reform of major business processes still eludes DoD
 - GAO (Jan 05): “little tangible evidence of actual improvement”
- One problem: lack of focal point for management reform with sufficient authority and time
 - Transformational initiatives impact multiple resources and systems and require integration and coordination
- CMO can fill that need
 - DepSecDef can act in CMO role
 - Alternatively, a separate CMO position could be created



Agenda

⇒ Duties of a CMO

- Organizing the CMO function



What Should CMO Do?

- Focus on high-payoff business reforms
 - Especially those that most improve DoD warfighting and efficiency
 - Also those that are obvious to the public
- Emphasize a few key issues
 - Better to accomplish a few than to start many
- Focus on issues that require cooperation from multiple Services, multiple functions
- Establish performance-based approach
 - *Interim goals are key!*
- Establish an organization to foster reform
 - Horsepower, available time, continuity, focal point



Recommended Duties

(in rough priority order)

- Improve DoD civilian personnel management
- Improve business management systems
- Implement base closure process
- Improve supply chain management
- Improve acquisition process
- Achieve auditable financial statements



Recommended CMO Duties (in rough priority order)

- Improve management of DoD civilian personnel
 - Illustrative interim goals (2006)
 - Partial implementation of NSPS (Spiral 1.1)
 - Performance management system designed and partially in place
 - Design comprehensive human capital plan
 - Illustrative end-of-term goals (2008)
 - Substantial implementation of NSPS (e.g. Spirals 1.1, 1.2 and 1.3)
 - Performance management system in place
 - Complete comprehensive human capital plan including gap analysis, goals for training, recruiting and retention initiatives



Recommended Duties (con't)

(in rough priority order)

- Improve business management systems
 - Illustrative interim goals (2006)
 - Establish vision for BMMP
 - BMMP organization staffed and functioning
 - Enterprise-wide capabilities quantified and synchronized with systems transition timeline and approved by DBSMC
 - Illustrative end-of-term goals (2008)
 - Demonstrable progress toward achieving the desired, 7 enterprise-wide capabilities
 - Components on track with systems transition as approved by DBSMC in September/December 2004



Recommended Duties (con't)

(in rough priority order)

- Implement base closure process
 - Illustrative interim goal (2006)
 - Closure plan designed and approved
 - Personnel support plan approved (outplacement assistance, etc.)
 - Tracking process in place
 - Illustrative end-of-term goals (2008)
 - Timelines established, funds appropriated
 - Bases closing according to objectives



Recommended Duties (con't)

(in rough priority order)

- Improve supply chain management
 - Illustrative interim goals (2006)
 - Develop, approve and fund requirements for a comprehensive strategy for supply chain transformation
 - Identify Global Supply Chain Integrator
 - Illustrative end-of-term goals (2008)
 - Achieve key elements of strategy



Recommended Duties (con't)

(in rough priority order)

- Improve acquisition process
 - Illustrative interim goals (2006)
 - Formulate and complete integrity training
 - Plans in place for speeding up process and controlling cost growth
 - Illustrative end-of-term goals (2008)
 - Achieve xx% reduction in cycle time
 - Hold cost growth at moderate level



Recommended Duties (con't)

(in rough priority order)

- Achieve auditable financial statements
 - Illustrative interim goals (2006)
 - Comprehensive plan agreed to by all parties that includes communications strategy and strategy to correct material weaknesses
 - Funding estimated and budgeted
 - Illustrative end-of-term goals (2008)
 - Achieve auditability in one service
 - Make significant progress in other services and defense agencies (e.g. one statement auditable, eliminate major material weaknesses)



Summary of Recommended Duties

(in rough priority order)

- Improve DoD civilian personnel management
- Improve business management systems
- Implement base closure process
- Improve supply chain management
- Improve acquisition process
- Achieve auditable financial statements

A few issues, performance-based approach, interim goals



Agenda

Duties of a CMO

⇒ Organizing the CMO function

- DepSecDef as CMO
- DepSecDef plus Business Transformation Executive
- Separate CMO reporting through DepSecDef
- Dual deputies



1. DepSecDef as CMO

- Advantages
 - Traditional role for DepSecDef
 - Avoids risk of adding another management layer or creating conflicting direction
- Disadvantages
 - DepSecDef may not have enough time



2. DepSecDef as CMO plus Business Transformation Executive

- Approach
 - Create Business Transformation Executive reporting directly to DepSecDef
 - Manage day-to-day activities associated with business transformation
 - Non-career SES position
 - Cannot direct Under Secretaries or Service Secretaries but can recommend that DepSecDef direct them
- Advantages
 - May help relieve time pressure on DepSecDef
 - Relatively easy to establish
 - Position currently will report to USD(AT&L) but easily changed
- Disadvantages
 - May be hard to recruit highly experienced and successful individual
 - USD(AT&L), Vice Chair of DBSMC may object due to his current responsibility for business transformation



3. CMO Reporting to DepSecDef

- Approach
 - Separate CMO position (Senate-confirmed, Level II position)
 - Assigned specific business reform duties by SecDef/Deputy
 - Performance-based contract
 - Authority to direct Under/Service Secretaries only on contract issues
 - Seek authority for six or seven year term
 - Title could be Principal Under Secretary of Defense for Management
- Advantages
 - Should help relieve time pressure on DepSecDef
 - Would provide continuity as Administrations change
 - Should be able to recruit qualified individual
- Disadvantages
 - More risk of creating another management layer or conflicting direction
 - Would take time and effort to create position



4. Dual Deputies

- Approach
 - Create Deputy SecDef for Management
 - Level II but below current Deputy for warfighting, protocol
 - Responsible for budget, business reform
 - Authority to direct Under/Service Secretaries
 - Seek authority for six or seven year term
- Advantages
 - Should help relieve time pressure on current DepSecDef
 - Would provide continuity as Administrations change
 - Would be able to recruit qualified individual
- Disadvantages
 - Higher risk of adding another layer of management and/or creating conflicting decisions
 - Would take time and effort to create position and efficiently divide warfighting and business duties/responsibilities



Summary of Organizational Options

- DepSecDef as CMO
 - Traditional approach
- DepSecDef assisted by Business Transformation Executive
 - Business Transformation Exec a non-career SES position
- Separate CMO reporting to DepSecDef
 - CMO a Senate-confirmed, Level II position
- Dual deputies
 - Senate-confirmed, Level II deputy for management

APPENDIX B:

Defense Business Board

Summary of Recommended Duties

for

Deputy Secretary of Defense as COO

(May 2005)



Summary of Recommended Duties of Deputy Secretary of Defense as COO (in rough priority order)

- Focal-point Department-wide Business Transformation
- Improve DoD civilian personnel management
- Improve business management systems
- Implement base closure process
- Improve supply chain management
- Improve acquisition process
- Achieve auditable financial statements

The Deputy can decide whether to add a Business Transformation Executive

APPENDIX C:
Secretary of Defense Response
to Recommended COO Duties
for the Deputy Secretary

(June 2005)



OFFICE OF THE SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

DEFENSE BUSINESS
BOARD

ACTION MEMO

June 13, 2005, 5:00 PM

FOR: SECRETARY OF DEFENSE

Acting DepSec Action _____

THROUGH: UNDER SECRETARY OF DEFENSE (COMPTROLLER) *[Signature]*

FROM: Gus Pagonis, Chairman, Defense Business Board (DBB) *[Signature]*

SUBJECT: DBB Recommendations on Chief Operating Officer (COO) Duties for the Deputy Secretary of Defense

- As briefed May 6, 2005, the DBB recommends the Secretary of Defense formally designate the Deputy Secretary of Defense as the leader accountable for Department-wide business transformation. In this role, the Deputy Secretary should be responsible for measurable transformational progress in each of the following areas:
 - DoD civilian personnel management
 - Business management systems modernization
 - Implementation of the base closure process
 - Integrated supply chain management
 - Acquisition process reform
 - Financial management and auditability
- Quantifiable objectives for each area of responsibility should be developed and cascaded down through the Department to ensure organization alignment.

RECOMMENDATION: Secretary approve the above-role for the Deputy.

_____ Approve _____ Disapprove _____ Other

COORDINATION: None

Prepared by: Kelly S. Van Niman, 695-0499

