



## Report to the Secretary of Defense

# Creating a Chief Management Officer in the Department of Defense Task Group Report

### Report FY06-4

- Recommendations regarding the creation and duties of a Chief Management Officer in the Department of Defense (DoD)



## Creating a Chief Management Officer in the Department of Defense Task Group Report

### BACKGROUND

The Defense Business Board (DBB) delivered its first set of recommendations regarding a Chief Management Officer (CMO) in their May 2005 report entitled "The Role of a Chief Management Officer in the Department of Defense." The DBB's initial recommendations outlined in this report were twofold:

- The DBB recommended that the Deputy Secretary of Defense be vested with the responsibilities of the CMO/Chief Operating Officer (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 the CMO/COO role.

Shortly after the publishing of the May 2005 report, the Secretary of Defense advised the Chairman of the DBB in a memo that the COO duties recommended by the Board were included in the Deputy's new portfolio.

Congressional pressure to establish a CMO in the Department was evident in several proposals within and to the US Congress. The 109<sup>th</sup> Congress 1<sup>st</sup> Senate Session proposed a bill (S. 780) to amend Title 10, United States Code, to establish the position of Deputy Secretary of Defense for Management, and for other purposes. The House passed SEC. 907. - Report on Establishment of a Deputy Secretary of Defense for Management. SEC 907 directed that DoD -- " Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall, as determined by the Secretary, select one or two Federally Funded Research and Development Centers to conduct a study of the feasibility and advisability of establishing a Deputy Secretary of Defense for Management." The Government Accountability Office (GAO) testified in 2005 that a CMO position would be critical to the success of DOD's overall business transformation effort.

## TASK

In March 2006, Deputy Secretary of Defense, Gordon England, asked the Chairman of the DBB to form a Task Group to revisit the proposal to create a CMO for the Department to support him in his role as COO.

Specifically, the Task Group was asked to provide a proposed vision, a detailed scope of responsibilities, an organizational structure, and an implementation plan for a CMO.

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

Task Group Chairman: Robert Hale

Task Group Co-Chairman: Dov Zakheim

Task Group Members: Denis Bovin, James Kimsey, and Gus Pagonis

Task Group Sponsor: Gordon England, Deputy Secretary of Defense

Task Group DoD Liaison: Michael Donley, Director of Administration and Management

Task Group Executive Secretaries: Kelly Van Niman (DBB Executive Director), and Lynne Schneider (DBB Deputy Director)

## PROCESS

The Deputy Secretary of Defense provided the Task Group with a conceptual framework describing the roles and responsibilities that a CMO could perform (**Appendix A**). It was left to the best judgment of the DBB to recommend whether this position should be another Under Secretary reporting directly to the Deputy Secretary and the Secretary of Defense, or whether a second Deputy Secretary of Defense should be established.

The Task Group began by considering the most effective organizational structure and mix of roles and responsibilities for the CMO based on the outline presented by the Deputy Secretary of Defense. The Task Group spoke with several DoD personnel and amongst themselves via email and telephone while developing their recommendations. Draft Congressional legislation and statements by GAO were included in the review.

## Defense Business Board

The CMO Task Group worked in conjunction with three other concurrent DBB Task Groups, and collectively, their work encompassed the critical focal points for realizing lasting Defense enterprise transformation – people, culture and organization. The four Task Group Chairmen worked together to provide a unified approach. The three other Task Groups were: Shaping and Utilizing the Senior Executive Service (SES) within the Department; Innovation and Cultural Change; and Governance – Alignment and Configuration of Business Activities.

Each of these Task Groups had a common goal of improving overall organizational performance. Research has shown that realization of lasting improvements would require an integrated approach to changes in managing people, culture and organization. This Task Group report should be considered in the context of the additional reports mentioned above and available on the DBB website at [www.dod.mil/dbb](http://www.dod.mil/dbb). The Task Groups presented their findings and recommendations to the full Board on May 31, 2006 (See **Appendix B**).

The CMO Task Group developed two separate options for consideration by the full Board. One option would create a position to assist the Deputy Secretary in his COO role and the other option would create a position with the responsibility and authority to be the CMO/COO for the Department. Specifically:

- Option 1. Under Secretary of Defense (Management)
  - Assist Deputy Secretary of Defense in COO role
  - Authority similar to other Under Secretaries (Level III position)
- Option 2. Principal Under Secretary of Defense (Management) and CMO
  - Full responsibility/authority on issues identified in tasking memo
  - Responsibility/authority to direct Under Secretaries and Service Secretaries for issues in tasking memo and only for those issues (Level II position)
  - Budget authority and responsibility for issues in tasking memo and only for those issues

## Defense Business Board

- Accountability for success of tasks outlined in tasking memo through use of a performance-based approach
- Able to help maintain continuity because of fixed term
- Goal: A person to actually do the work, not just assist

During the Board's deliberations on May 31, 2006, a Member recommended that a third option be presented to Deputy Secretary England – adding the CMO duties to the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L). This option was not supported by the Board because Members believed that the Under Secretary of Defense for AT&L already has a full portfolio of duties. (See **Appendix B** for the full description of options presented.)

## RECOMMENDATIONS

Ultimately, the Board decided upon Option 2 and recommended implementation in two phases:

- Phase I: Immediately create a Special Assistant for Management (transition) to undertake duties and draft permanent enabling legislation
- Phase II: Establish PUSD(M)/CMO with full responsibility & authority noted above and in Appendix B

The Board believes that its recommended approach offers important advantages including:

- Creation of a position with the time that the Deputy Secretary currently does not have to adjudicate issues, direct action, and monitor compliance
- Authority to direct action on issues assigned to CMO
- Accountability and responsibility for progress on selected business initiatives
- Fixed term will provide continuity for transitioning administrations

## **Defense Business Board**

- Result: more chance of implementing business initiatives successfully
- Tasking memo reduces risk of adding a layer of bureaucracy

## **CONCLUSION**

In the aftermath of the Cold War, dozens of new nation states emerged. The emergence of asymmetric enemies and the evolution of global dynamics have created a very different state of play. As such, the configuration of Defense leadership to accommodate this new reality requires a new management structure. Today, even the smallest state can require attention from either the Secretary or Deputy. The synthesis of Intelligence, always important to DoD, has taken on an even greater importance, as has the burden associated with Congressional requirements. These additional roles leave the Deputy Secretary with insufficient time to adjudicate disputes, direct action, and monitor compliance by the Under Secretaries and Service Secretaries with respect to business transformation efforts, especially those that cross functions and organizations.

The complexity and long-term nature of ongoing business transformation efforts within the Department make it essential for DoD to have sustained leadership focus in order to achieve lasting transformation. At the same time, the breadth and depth of the challenges facing the Department, and Congressionally mandated levels of authority, preclude the Under Secretaries from asserting the necessary authority over selected players and business areas while continuing to fulfill all of their other responsibilities. The immediate creation of a Special Assistant for Management leading to the establishment of a Principal Under Secretary of Defense (Management) would help place the Department on a solid path for achieving lasting business transformation.

Respectfully submitted,

Robert Hale  
Task Group Chairman

## **Defense Business Board**

Attachments:

Appendix A: Terms of Reference Memo

Appendix B: May 31, 2006 DBB Opening Presentation Slides and  
CMO Task Group Final Presentation

**APPENDIX A**  
**(Terms of Reference)**

## Defense Business Board



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

March 30, 2006

To: Gus Pagonis  
Fr: Gordon England  
Subj: DBB Study

Gus,

Attached are my ideas for a DBB study on the proposal to create a Chief Management Officer for DoD to support the Deputy Secretary of Defense in his role as DoD Chief Operating Officer. I look forward to the analysis and suggestions the DBB might have on this idea.

A handwritten signature in black ink, appearing to read "Gordon".

Cc: Mike Donley

Enc.



OSD 05215-06

# Defense Business Board

March 30, 2006

THIS IS A STUDY TASKER FOR THE DEFENSE BUSINESS BOARD  
TOPIC IS CHIEF MANAGEMENT OFFICER

The Defense Business Board is requested to further explore an approach to create, in the Office of the Secretary of Defense, a Chief Management Officer (CMO) for DoD. This position could be the 6<sup>th</sup> Under Secretary in DoD and report directly to the Deputy Secretary and to the Secretary or, alternately, this position could be another Deputy Secretary of Defense if, in the DBB's judgment, that is a preferable level vice Under Secretary.

The principal function of the CMO is to support the Deputy Secretary of Defense in his role as the DoD Chief Operating Officer (COO). The primary duty of the CMO is to provide management support to the Deputy for all matters relating to the day-to-day enterprise operations of the Department.

In supporting the Deputy, the CMO would also support the other Under Secretaries. As such, it is envisioned that the CMO would have responsibilities similar to the following:

- Support standardized management and network systems across the enterprise to enable greater effectiveness and efficiency.
- Determine, in conjunction with other Under Secretaries, key performance parameters to monitor the progress and health of the organization.
- Implement appropriate tracking systems to provide timely and concise data to the senior management team, including appropriate dashboards at different management levels.
- Provide relative measures of performance compared to other high-performance government and commercial world-class organizations and incorporate best practices from those organizations into DoD.
- Support management interface with the Congress (in conjunction with Legislative Affairs), the Government Accountability Office and the Inspector General to ensure that information is accurate, timely and appropriately disseminated in accordance with law and good business practices.
- Plan and scope personnel and management succession and development programs.

1

# Defense Business Board

March 30, 2006

- Manage and oversee the Executive Secretariat, White House Liaison Office, Protocol, personal security detail, and support to DoD corporate councils.
- Serve as component head for OSD on select administrative, management, and functional requirements and services.
- Chair the OSD Business Board, which reviews and vets policies, programs, systems, methods and practices supporting the OSD enterprise.
- Serve as the agent of the SECDEF as the "Installation Commander" for the Pentagon Reservation for security, safety, and operations of the facilities and to the occupants of the Pentagon, Raven Rock Mountain Complex, and DoD leased facilities in the National Capital Region
- Manage and provide oversight of DoD motor pool, transit system, and future DoD facility at Ft. Belvoir
- Assume responsibility for QDR implementation tracking and reporting; principal advisor on DoD organization and management matters; DoD Freedom of Information/Security Review Program; DoD Privacy Program; DoD Executive Agent Program; SECDEF Biennial Review of Defense Attaches and DoD Field Activities
- Exercise authority, direction and control over Washington Headquarters Services and Pentagon Force Protection Agency.
- Serve as Vice Chair of the Defense Business Systems Modernization Council and Member of the Deputy's Advisory Working Group.

The above is strictly a conceptual framework to generally scope the Deputy's thinking and to provide a starting point for discussion and deliberation.

The DBB should work closely with Mike Donley to fully understand the current organizations and responsibilities and to gain his insight for recommended future approaches.

The DBB effort should provide the following organizational outputs:

1. A proposed vision
2. Detailed scope of responsibilities
3. Organizational structure
4. Implementation plan

2

**APPENDIX B**

**(Task Group Final Report – May 31, 2006)**



# **Defense Enterprise Transformation: Organization, Culture and People**

***A Systematic Approach  
for  
“Team Defense”***



Secretary Rumsfeld Remarks:\*

“Just as we must transform America's military capability to meet changing threats, we must transform the way the Department works and what it works on”.

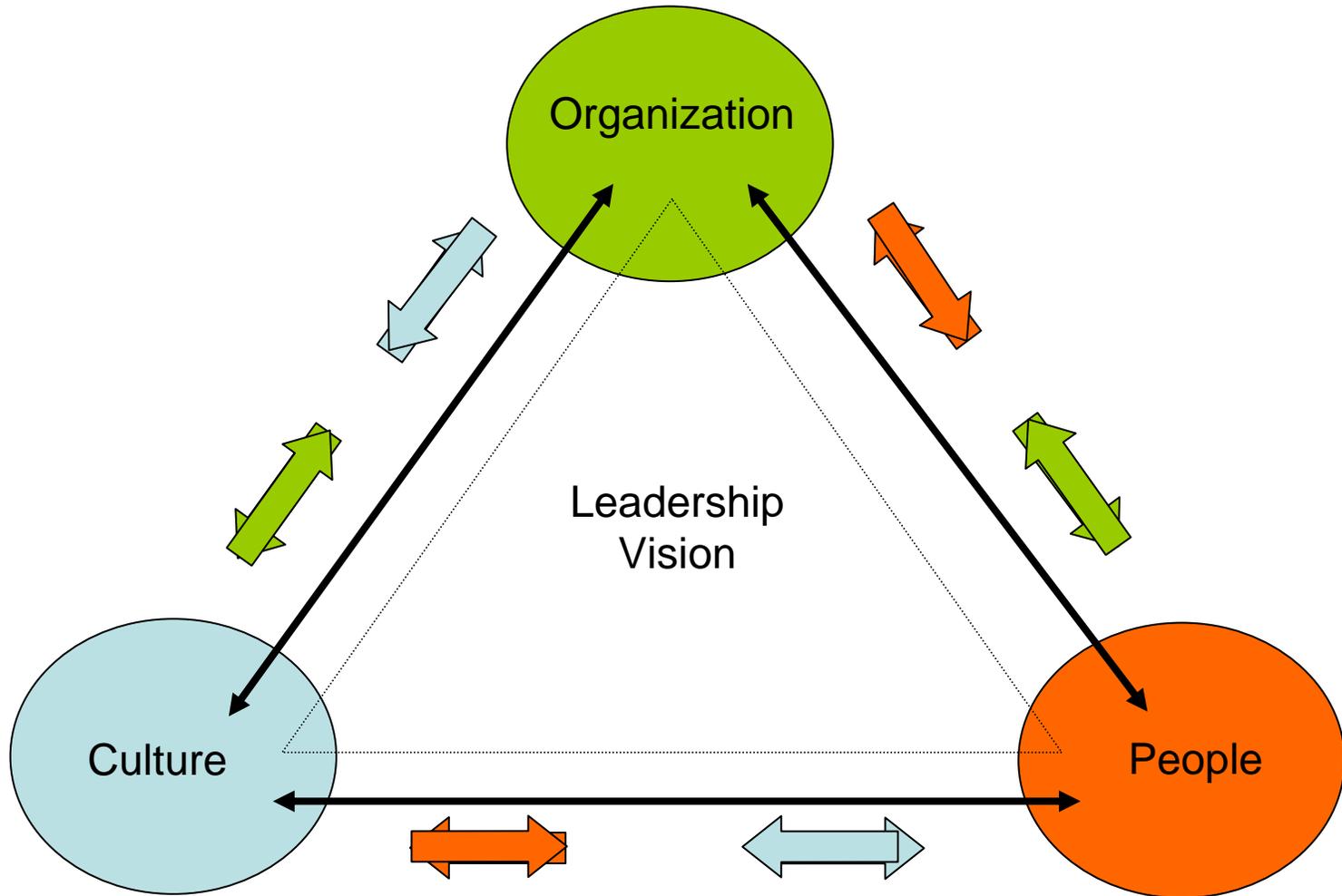
“Our challenge is to transform not just the way we deter and defend, but the way we conduct our daily business”.

“Every dollar squandered on waste is one denied to the warfighter. That's why we're here today challenging us all to wage an all-out campaign to shift Pentagon's resources from bureaucracy to the battlefield, from tail to the tooth.”

\*Extracts from *Remarks as Delivered by Secretary of Defense Donald H. Rumsfeld, The Pentagon , Monday, September 10, 2001*



## Levers for Enterprise Transformation





# Organization, Culture and People

- Organization
  - Formal structure of roles, relationships, processes, tasks, interdependencies, incentives and technology
- Culture
  - Informal learned patterns of behavior, thought, and feeling that are shared with newcomers
- People
  - Individual characteristics, knowledge, skills, abilities, attitudes and perceptions



## ***Key Barriers to Change at DoD***

- **The Services are programmed to resist integration due to historical and legal barriers**
- **Political oversight contributes to a risk and change adverse culture**
- **The split between military and civilian communities makes management at the top difficult to coalesce**
- **Disparate AD HOC processes (formal / informal) are used as work-arounds to current structure (organization / process / budgets)**
- **Current culture sees little reward in the benefit that a better DoD Enterprise management would provide**



## Leadership owns organizational change

“Many organizational change efforts have not altered the behavior, focus and performance of leadership which sets the tone for whether change is sustained or merely the "program dujour.” *DEPM 1997*



# Levers for Change



**Changes in  
the  
Environment**

*require*

**Changes in  
Vision/  
Strategy,  
Work  
Culture, and  
Values**

*require*

**Changes in  
Skills and  
Competencies at  
all levels**

*require*

**Changes in  
Organizational  
Levels**

*leading to*

**Management of  
the Integrated  
Enterprise**

**Successful  
Outcomes**



# **Creating a Chief Management Officer (CMO) in DoD**

REPORT OF CMO TASK GROUP  
May 2006



# Terms of Reference

- Create position to support DepSecDef in COO role
- Consider 14 specific duties
  - e.g. Support standardized systems
  - e.g. Benchmarking
  - e.g. Pentagon installation commander
  - e.g. Vice Chair of DBSMC
- Consider an Under Secretary .... or Dual Deputy



# DBB CMO Task Group

Bob Hale (Chairman)

Dov Zakheim

Jim Kimsey

Denis Bovin

Gus Pagonis

Kelly Van Niman (DBB staff)

Lynne Schneider (DBB staff)

DoD Sponsor

Honorable Mr. Gordon England (Deputy Secretary of Defense)



## Task Group Considered Three Options

- Option 1: Under Secretary of Defense (Management)
  - Vision: Assist DepSecDef in all aspects of COO role
- Option 2: Principal Under Secretary of Defense (Management) and CMO\*
  - Vision: Institutionalize position with authority/responsibility to assist DepSecDef by overseeing business operations and initiatives
    - Assume full responsibility for some issues
    - For these issues power to direct Under Secs, Service Secretaries
    - Better able to maintain continuity during personnel/admin changes
    - “Able to do the work, not just assist”
- Option 3: Add CMO duties to USD/AT&L
  - Option rejected by DBB – too many current duties

\* Joint title: similar to “USD(C) and CFO”



*Option 1: USD(M)*

## Vision and Rationale

- Vision
  - Assist DepSecDef in COO role
- Rationale
  - Warfighting roles leave DepSecDef insufficient time to accomplish all COO tasks effectively
  - USD(M) would be an individual with strong management skills
    - Use them to assist DepSecDef



*Option 1: USD(M)*

## **Duties**

- Many taskings from TOR recommended as duties
  - 10 of 14 including all management support tasks (see App A)
  - e.g. Determine key performance parameters
  - e.g. Benchmarking
  - e.g. Personnel and management succession
  - e.g. Chair OSD Business Board
    - Coordination board of internal OSD leaders
  - e.g. Vice Chairman of DBSMC



*Option 1: USD(M)*

## **Duties (con't)**

- Task Group recommends against including four administrative duties
  - Many are current responsibility of Director for Administration and Management
    - e.g. Installation commander for Pentagon
    - e.g. Oversight of motor pool
    - Others (see App A)
  - Leave with Director
    - Director reports to USD(M)



*Option 1: USD(M)*

## **Level, Authority, and Tenure**

- Level III position
  - Political, appointed by President, Senate confirmed
- Authority (similar to other Under Secretaries)
  - Set policy, seek cooperation of Under Secs and Svc Secretaries
  - Limited independent authority to direct other Under Secs, Svc Secretaries
- Tenure
  - Same as other political appointees

**USD(M) Reports to SecDef thru DepSecDef  
USD(M) Works Primarily for DepSecDef**



*Option 1: USD(M)*

## **Implementation**

- DoD must decide on duties, tenure, and authority
  - Should consult with Congress as they do this
- Then draft enabling legislation
  - Shepherd legislation through Congress
- Commit in legislation to appointing a certain type of individual (!)
  - Primarily management background (not staff or political)
  - Successful senior mgt experience in DoD *and* private sector
  - Success with change management in large organizations

Summary of Option 1:  
USD(M) assists DepSecDef in COO role



*Option 2: Principal USD(M)/CMO*

- Vision

## **Vision**

- Create position with substantial authority/responsibility to assist DepSecDef by overseeing business operations and initiatives
  - Assume full responsibility for some issues
  - For these issues power to direct Under Secs, Service Secretaries
  - Help maintain continuity during personnel/admin changes

- Rationale

- Warfighting roles leave DepSecDef insufficient time to adjudicate disputes, direct action, and monitor compliance by Under Secs, Service Secretaries
- PUSD(M)/CMO with broader authority can support DepSecDef more effectively in COO role

**PUSD(M)/CMO Can Actually Do the Work,  
Not Just Assist**



*Option 2: Principal USD(M)/CMO*

## Duties

- Legislation would provide broad authority to PUSD(M)/CMO for oversight and improvement of business processes.
  - Legislation permits SecDef to issue tasking memo specifying particular initiatives
- SecDef issues periodic performance-based tasking memo specifying responsibilities for major initiatives/areas of operations
  - Potential examples: Head BTA, Vice Chair of DBSMC, implement NSPS or BRAC
- For initiatives tasked to PUSD(M)/CMO, and *only* those initiatives, has authority to direct actions by Under Secs and Service Secretaries
- Help maintain continuity during personnel/admin changes

Tasking Memo Intended to Clarify Authority,  
Minimize Risk of Creating Another Layer



*Option 2: Principal USD(M)/CMO*

## **Level, Authority, and Tenure**

- Level II position
  - Political, appointed by President, Senate confirmed
- Authority
  - For items in tasking memo, authority to direct Under Secretaries and Service Secretaries
  - Budget authority and responsibility for items in tasking memo
- Tenure
  - Fixed term of five years

PUSD(M)/CMO reports to SecDef thru DepSecDef  
Works Primarily for DepSecDef



*Option 2: Principal USD(M)/CMO*

## **Implementation**

- Using existing authority, create full-time Special Assistant for Management and delegate duties as outlined, and develop supporting legislation for permanency
  - Ideally, temporary Special Assistant would be permanent PUSDM
- Decide internally, work with Congress
  - Decide on duties, consulting with Congress
  - Draft legislation and shepherd through Congress
    - Enabling legislation should specify authority to direct Under Secs and Service Secretaries for items in tasking memo
- Commit to appointing certain type of individual
  - Strong, proven leader (!)
    - Successful senior-level experience in DoD
    - Success in running a large, private organization
  - Must be viewed as relatively non-political
    - In order to make fixed tenure succeed



## Summing Up

- Option 1. Under Secretary of Defense (Management)
  - Assist DepSecDef in COO role
  - Authority similar to other Under Secretaries
- Option 2. Principal Under Secretary of Defense (Management) and CMO
  - Immediately create Special Assistant for Management (transition) to begin duties and draft permanent enabling legislation
  - Full responsibility/authority on selected issues in tasking memo
    - Responsibility/authority to direct Under Secs and Service Secs
    - Budget authority and responsibility
  - Able to help maintain continuity because of fixed term
  - **Actually do the work, not just assist**



## Task Group Recommends PUSD(M)/CMO – Option 2

- Phase I: Appoint Special Assistant for Management
- Phase II: PUSD(M)/CMO with full responsibility & authority
  - Will have time that DepSecDef does not have to adjudicate issues, direct action, and monitor compliance
- Able to help maintain continuity because of fixed term
- Result: more chance of implementing business initiatives successfully
- Tasking memo reduces risk of adding a layer of bureaucracy

**Can Do the Work, Not Just Assist**



# Appendix A



## Duties of USD(M)

- Duties included from TOR
  - Support standardized management and network systems
  - Determine key performance parameters
  - Implement appropriate tracking systems
  - Provide relative measures of performance
  - Assume responsibility for QDR implementation tracking and reporting
  - Support management interface with Congress, GAO, DoDIG
  - Plan personnel succession and development programs
  - Serve as component head for OSD for select administrative, management, and functional requirements and services
  - Chair the OSD Business Board
  - Serve as Vice Chair of the DBSMC



## Duties of USD(M) – con't

- Duties in TOR not recommended for USD(M)
  - Manage and oversee Executive Secretariat, White House Liaison Office, etc
  - Serve as “Installation Commander” for the Pentagon Reservation
  - Manage and provide oversight of DoD motor pool, transit system, etc.
  - Oversee Washington Headquarters Services and Pentagon Force Protection Agency