



TRANSITION TOPIC:

Review of Tooth-to-Tail

TASK: Review key findings and recommendations of the DBB's 2007 report on Tooth-to-Tail, and alert incoming senior leadership of the urgency to shrink the Department's overhead to free-up available resources to support critical Defense priorities.

TASK GROUP:

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ISSUE:

- Department's spending on infrastructure has remained relatively constant at approximately 42% of DoD's total spending
- In the private sector these expenses would be considered general overhead ("tail" to DoD) that management would work aggressively to continuously reduce to achieve greater efficiency
- It is not evident that DoD routinely goes to "war" on overhead to maximize its resources and gain efficiencies
- Current management tools are not effective at managing and reducing the Department's "tail"

IMPORTANCE:

- DoD's Total Budget Authority has increased 189% between 1980 and 2009 (not including Supplemental authorizations)
- DoD cannot afford a 42% overhead rate on a \$694.2 Billion budget
 - The Secretary cannot delegate such a perilous threat



Characteristics by Presidential Administration

A logical question: How much defense do we get for \$670 Billion per year?

Category	End of Carter	End of Reagan	End of Bush	End of Clinton	GW Bush	Change
	1980	1988	1992	2000	2007 (Est)	1980-2007
Total Budget Authority (\$B - Constant \$)	\$412	\$491	\$412	\$354	\$441	7%
Total Budget Authority (\$B - Current \$)	\$178	\$284	\$282	\$291	\$441	148%
Supplementals (\$B)	\$0	\$0	\$4	\$0	\$190	
Active Duty Personnel (K)	2,101	2,209	1,886	1,449	1,406	-33%
Reserve and Guard Personnel (K)	851	1,158	1,135	865	843	-1%
Civilian Personnel (K)	1,019	1,090	1,006	698	702	-31%
Active in Commission Ships	521	573	471	341	236	-55%
Army Divisions (active)	19	20	20	10	10	-47%
AF Fighter/Attack (Total Active Inventory)	2,789	3,027	2,000	1,666	1,619	-42%

Table sources: National Defense Budget Estimates for FY 2006, April 2007;
<http://www.history.navy.mil/branches/org9-4c.htm>; AFA Almanac



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DoD Infrastructure \$(Billions) Remains Steady at ~42%

(Total Obligation Authority) source: PA&E

Infrastructure	FY2002	FY2003	FY2004	FY2005	FY2006
Force Installations	29	35	33	35	28
Communications & Information	7	10	9	9	9
Science & Technology Program	11	12	13	14	14
Acquisition	9	10	12	12	12
Central Logistics	22	29	26	25	25
Defense Health Program	28	25	27	27	28
Central Personnel Administration	8	13	13	12	13
Central Personnel Benefits Programs	9	10	10	10	10
Central Training	33	36	33	33	34
Departmental Management	18	22	21	29	27
Other Infrastructure	4	4	12	25	5
Total Infrastructure (%of DoD)	180 (44%)	206 (42%)	209 (42%)	230 (43%)	205 (42%)



RECOMMENDATIONS:

1. Secretary should conduct a review of all indirect and direct costs to determine if 42% is an appropriate amount of overhead and to identify opportunities to constantly reduce overhead
 - Set a goal to reduce “overhead”
2. The Secretary should mandate the use of management tools are based on an enterprise vision to drive down overhead spending
 - Metrics should focus on outcomes (not outputs) to provide strong measures of implementation and achievement of goals

***Reference DBB Report FY08-2
“Task Group Review of Tooth-to-Tail Analysis” for greater detail***



DISCUSSION

Industry Maximizes Resources and Efficiencies by Targeting Cuts

- Continuously goes to war on waste – focus on low value-add areas
 - “Value-chain” and “Activity Analyses” tools reduce inefficiencies/overlaps
 - Leverages technology to achieve better than 1:1 ratios in personnel conversions
- Designs organizations to facilitate and encourage prudent risk taking
 - Decentralize to encourage innovation; Centralize to eliminate duplication
- Continuously charts “core *competencies and incompetencies*”
 - Incentivize, measure and reward desired outcomes
 - Constantly monitor performance
 - Develop succession and promotion plans accordingly
 - Career map to core competencies – builds on people’s strengths
- Measures & analyzes human capital performance & engagement to drive a culture of excellence
 - Applies benchmarks and projects 3-4 years ahead (leads, not lags)
 - Compares results to competition and/or most efficient organization